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World Business Newspaper http://www.FT.com

MONDAY SEPTEMBER 14 1998

Saab turns a corner
Swedish carmaker on track for profits
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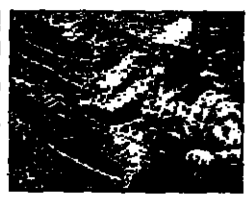

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A new 10-part series starts today. **See separate section**

WORLD NEWS

Angry opposition storms office of Albanian premier

Supporters of Albania's opposition Democratic Party stormed and set fire to the prime minister's office in protest against the assassination of an opposition leader. **Page 2**

Warning from Russian reformers
Russia's abandoned reformers warned of a dangerous slide towards a Soviet-style command economy as Yevgeny Primakov, the newly elected prime minister, prepared his new communist orientated government to start work today. **Page 2**

Brussels probes Uefa rulebook
Controversial rules from Uefa, European football's governing body, which ban more than one club with the same owner from taking part in the same European competition, are under scrutiny by the Brussels competition authorities. **Page 2**

Financial emergency in Yokohama
Kanagawa, a Japanese prefecture near Tokyo that includes the industrial city of Yokohama, will declare a "financial state of emergency" today because of the deterioration in its finances. **Page 16**

Taliban claims Shia stronghold
Afghanistan's Taliban said it captured the opposition stronghold of Bamiyan and was ordered by its leader to allow civilians to leave unharmed to counter "lies" that it carried out reprisal killings.

Creditanstalt to review Nazi era
Austria's Creditanstalt bank said it is ready for a "comprehensive review" of its Nazi-era past and had already held "constructive" talks in New York to resolve claims by Holocaust survivors.

Montenegro deports refugees
Authorities in Montenegro deported about 3,000 Kosovo refugees, transporting them to the Albanian border after refusing them admission to the republic's already crowded refugee centres.

Police snatch Gelli hoard
Police confiscated 150 gold bars worth three billion lire ($1.7m) hidden in flower pots at the Tuscan villa of Licio Gelli, jailed for fraud linked to the 1982 collapse of Banco Ambrosiano, and currently facing extradition from France. **Page 2**

Farm liberalisation stalled
A summit of leaders of countries of the Central European Free Trade Agreement (Cefta) failed at the weekend to make concrete progress on liberalising agricultural trade. **Page 2**

President's move stuns Algeria
Algerian President Liamine Zeroual's decision to step down by February next year and to hold early elections has stunned Algeria's political class and plunged the strife-torn country into renewed political uncertainty. **Page 3**

Iraq condemns UN action
A senior Iraqi official condemned a UN Security Council resolution which suspended its regular review of sweeping UN sanctions, blaming the decision on the United States and Britain.

BUSINESS NEWS

Liffe prepares to reveal plans for electronic trading

Liffe, the London International Financial Futures and Options Exchange, will announce plans next month to switch to electronic trading and reveal its strategy to win back business lost to the Deutsche Terminbörse, its main European rival. **Page 17; CrestCo plan, Page 7**

French banks are poised to take a bigger role in the future direction of the Paris exchange in an effort to strengthen its political muscle. Under consideration is the creation of a senior post to defend national interests. **Page 17**

Telewizja Polska, Poland's state-owned television broadcaster, and Telekomunikacja Polska, the soon to be privatised telecoms operator, are due this week to give final approval to a plan to join private sector broadcasters in establishing a digital platform in the country. **Page 23**

Kerry Packer, Australia's richest man and an enthusiastic gambler, is rescuing the ailing Crown, the owner of Melbourne's Crown casino, by agreeing to inject A$425m (US$256m) into the company in return for a half share of net cash flows. **Page 20**

Elscint, the Israeli medical imaging company, will sell two divisions to GE Medical Systems and Picker International, the medical technology firms, in separate deals worth a total of $375m. **Page 20**

ING, the Dutch financial group, has agreed to buy New York property management company Clarion Partners and subsidiary CRA Real Estate Securities, which together manage assets worth $6.1bn. **Page 22**

Heineken, the Dutch brewing group, reported a larger than expected rise in first-half earnings. Net profit totaled Fl 418m ($220m), up 28 per cent on last time's Fl 326m. **Page 22**

Control Techniques, a UK subsidiary of Emerson Electric of the US, is planning to persuade most of its British suppliers to use the euro from next year or risk losing its business. **Page 7**

Central banks, whose gold sales have been blamed for helping to drive down prices in August to the lowest for 18 years, are set to report that they have sold a further 260 tonnes. **Page 17**

Italy is pressing ahead with the privatisation of Banca Nazionale del Lavoro in spite of the international crisis that has shaken the Milan stock exchange and Italian bank shares. **Page 19**

Hindalco, India's biggest aluminium producer, is to buy a controlling stake in India Foils, the country's biggest aluminium foil manufacturer, in a Rs650m ($15.3m) deal. **Page 19**

Lex on Al Gore
The vice-president gets up to speed on economics
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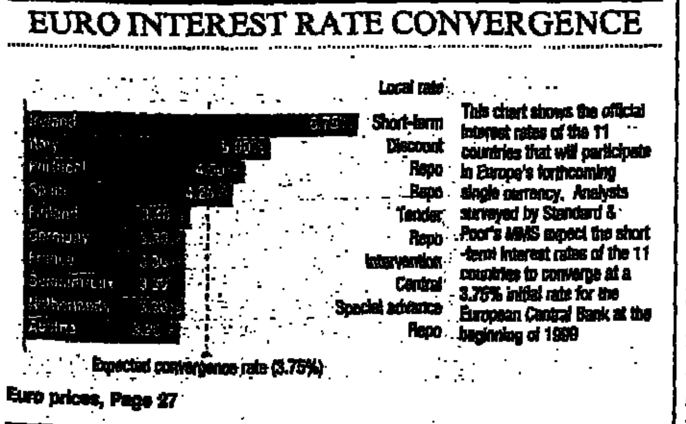
EURO INTEREST RATE CONVERGENCE



This chart shows the official interest rates of the 11 countries that will participate in Europe's forthcoming single currency. Analysts surveyed by Standard & Poor's MMS expect the short-term interest rates of the 11 countries to converge at a 3.75% initial rate for the European Central Bank at the beginning of 1999

Euro prices, Page 27

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Clinton urged to tone down legal attacks on Starr

By Richard Wolffe and Adrian Michaels in Washington

President Bill Clinton was urged yesterday to drop his aggressive legal defence against perjury charges in the Starr report and accept he had lied under oath in his affair with Monica Lewinsky.

Mr Clinton came under pressure from both Democrats and Republicans to tone down his lawyers' attacks on Kenneth Starr, the independent counsel. The president was urged to bring his legal strategy in line with his own contrite apologies for the 18-month affair with the former White House intern.

However, White House lawyers continued to argue defiantly against Mr Starr's findings and vigorously rejected all 11 grounds for bringing impeachment charges against the president.

In a detailed rebuttal released over the weekend, Mr Clinton's legal team dismissed the Starr report as "a hit-and-run smear campaign" with no credible evidence to support charges of perjury, obstruction of justice or tampering with witnesses.

David Kendall, the president's personal attorney, said yesterday: "From the beginning, we were told and assured this is not a case about sex. It turns out to be a case about sex and only sex.

"The question is not about private misconduct – the president has acknowledged that. The question really is whether there is substantial evidence of something that might constitute public high crimes and misdemeanours."

White House lawyers insisted that Mr Clinton had not committed perjury in denying a sexual affair with Ms Lewinsky in his evidence in the Paula Jones sexual harassment case. They argue that the president was technically correct in "narrow answers to ambiguous questions".

But Bob Kerrey, the Democrat senator from Nebraska, said the president would lose his fight for survival if his lawyers continued such a defence while Mr Clinton apologised for lying.

"If you come and say to the American people that I'm legally correct, I didn't have sexual relations with Monica Lewinsky; you're going to lose," he said. "And I hope that the president understands that."

Other Democrats said the president's apologies had already been sufficient to avoid impeachment. David Bonior, the Democratic whip in the House of Representatives, said a motion of censure was now "a very real option" in place of impeachment.

Mr Clinton came under continued pressure from Republican leaders to consider resignation. But Orrin Hatch, the Republican head of the Senate judiciary committee, suggested that the president could avoid impeachment if he admitted perjury and continued to apologise to the public.

"He is being very badly served with this legal hair-splitting," he said. "Nobody believes that. Nobody wants to hear that. What they want to hear is a president who is truly contrite. The American people are a lot smarter than these $400-an-hour lawyers think they are."

The Starr report is now in the hands of the House judiciary committee. This month, the committee will consider whether there are sufficient grounds for beginning impeachment hearings.

Opinion polls conducted since the release of the Starr report are mixed. An ABC News poll said 57 per cent of those questioned think Mr Clinton should be impeached if he encouraged Ms Lewinsky to lie. But an NBC News poll found the president's job approval rating at 67 per cent.

INSIDE

Bavarian voters dressed in traditional costume cast their votes for the state parliament yesterday. Helmut Kohl's allies looked set for a clear victory, according to early computer projections, giving the chancellor a much-needed boost in his campaign for re-election. His challenger Gerhard Schröder's party seemed to have lost ground Page 16 Picture: AP

SWISSCOM OFFERING OF 34.5% OF ITS SHARES LIKELY TO RAISE UP TO $6.6bn

Swiss scale back size and price of state telecoms offer

By William Hall in Zurich

The Swiss government is to offer investors a smaller stake than expected in Swisscom, the Swiss state-owned telecommunications company, because of recent market turbulence.

The share offer, which was expected to be the largest initial public offering of the year, is now likely to raise up to SFr9.1bn ($6.6bn) – much less than earlier estimates.

The government had been considering selling almost half its stake in Swisscom – 49.9 per cent – to take advantage of the substantial re-rating of European telecoms shares over the past year. Instead, it will offer 34.5 per cent of its shares to the market, with the company issuing some new stock.

The Swiss stock market has fallen by nearly 24 per cent since its summer peak. The price for the Swisscom offer was set yesterday at SFr330-SFr410, at the bottom of the expected range. The issue is the first big IPO to be priced since the recent decline in world stock markets.

The final price will be fixed over the weekend of October 3-4. The offering is expected to raise between SFr7.3bn and SFr9.1bn, compared with early expectations that it might raise up to SFr15bn.

The issue is expected to be less than half the size of NTT DoCoMo, the Japanese mobile telecoms group, which issues its prospectus today. DoCoMo could raise $15bn and is scheduled to be priced two weeks after the Swisscom issue.

Bankers involved in the Swisscom IPO said there had never been any doubt the deal would go ahead. But the decision to scale back the size and the price of the issue reflected a need to ensure its success.

The government will sell 14.5m shares in the global offering and Swisscom is issuing an additional 7.55m shares to raise new capital. Following the IPO, the Swiss government will own 65.5 per cent of Swisscom's 73.55m shares outstanding.

Bankers said there was considerable retail interest in Switzerland, where 420,000 people have registered for the retail offer to get the SFr5 per share discount. A dividend of SFr11 will give a yield higher than the 2.8 per cent available on Swiss government bonds and roughly double the average yield on the Swiss equity market.

Some 45 per cent of the issue has been earmarked for Switzerland and 20 per cent each for North America and the UK. The results of the pre-marketing campaign suggest that international investors are attracted by Swisscom's defensive qualities in the currently uncertain stock market climate.

Swisscom's profits are set to grow faster than those of its European peer group over the next three years. It has a larger than average mobile phone business and Switzerland's low interest rates and taxes give it a competitive advantage in terms of cost of capital.

The notional gross dividend yield is expected to be between 2.7 per cent and 3.2 per cent.

Button pushed for IPO, Page 20
Lex, Page 16

IMF ready to support Brazil despite low funds

By Robert Chote in London

Financial assistance for the economies of Asia and Russia is pushing the International Monetary Fund's liquidity to historic lows, but the institution believes it could find the money to rescue Brazil if it had to.

Stanley Fischer, first deputy managing director of the Fund, said yesterday that the fund had just $5bn to $9bn available to lend, taking account of the need to let member countries draw on the cash they were depositing with the lending institution.

But he said the IMF was still ready to do what it could to help Latin America, where countries have increased interest rates in the wake of the Asian and Russian financial crises.

Senior financial and foreign ministry officials from the Group of Seven leading industrial countries will meet in London today to discuss the Russian financial crisis and its knock-on effects. Officials from the IMF, World Bank, European Union and European Bank of Reconstruction and Development will also attend.

Michel Camdessus, the IMF's managing director, has repeatedly promised that member countries in need of assistance will get adequate support, even though the institution's finances have been weakened by heavy lending. "I have no intention whatsoever of cutting financing of any programme before us whatsoever, or alleging that there wouldn't be enough money in our reserves or in our coffers," he said following a recent meeting of Latin American finance ministers.

The IMF's finances have been brought into sharper focus by Brazil's struggle to halt a flood of dollars from the country. Last week, the central bank's primary lending rate was pushed up to nearly 50 per cent. Analysts believe a rescue package could cost $20bn-30bn. But with Brazil's reserves down to around $50bn – and far more due to be paid in short-term external loans over the next few months – even this could be insufficient.

The IMF's annual report, published yesterday, reported that total outstanding credit rose by $20bn during the last financial year, to just over $75bn by the end of April. The Fund expects to have $23bn in uncommitted usable resources by the end of the year. This puts the ratio of uncommitted usable resources to liquid liabilities at 29 per cent, well below the IMF's 70 per cent "comfort level".

But the Fund cannot exhaust these resources in case member governments call on the reserves they keep deposited at the Fund, as they are entitled to do.

In a boost for the Fund, the House Appropriations Committee in the US Congress last week agreed to provide money to double the general arrangements to borrow.

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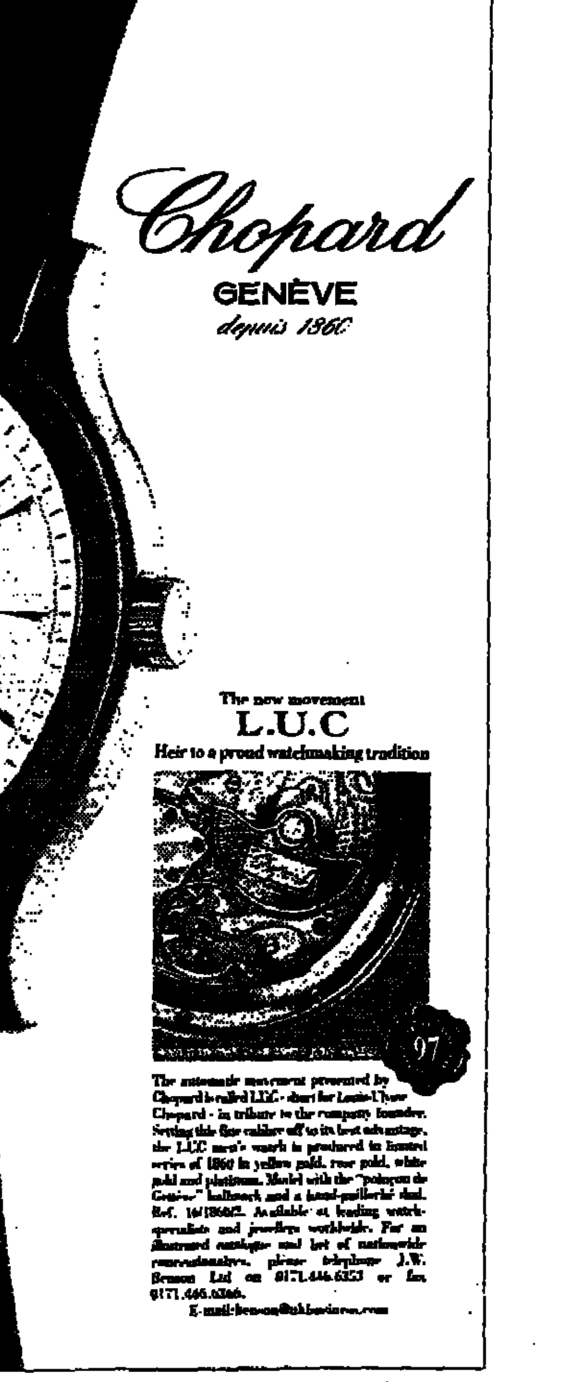

WORLD NEWS

Russia 'sliding towards command economy'

By Arkady Ostrovsky in Moscow


Primakov: communist-oriented government starts work today

Russia's abandoned reformers warned yesterday of a dangerous slide towards a Soviet-style command economy as Yevgeny Primakov, the newly elected prime minister, prepared his new communist-oriented government to start work today.

Yegor Gaidar, the architect of Russia's first attempt at reform in 1992, yesterday led a demonstration in central Moscow urging the city's battered middle class to block a "creeping coup" which could take Russia back to high inflation and a communist regime.

Only some 200 people turned out to hear Mr Gaidar, however, leaving Mr Primakov to prepare his cabinet undisturbed.

Mr Primakov was voted in on Friday, ending a three week stand-off between President Boris Yeltsin and the lower house of parliament. The outcome greatly diminished Mr Yeltsin's authority and marked a significant shift of power to the communist-dominated parliament.

Over the weekend, Mr Yeltsin sacked his spokesman and foreign policy aide, Sergei Yastrzhembsky, who, according to Kremlin sources, had opposed Mr Primakov's appointment.

Mr Primakov's appointments to date indicate a sharp lurch to the left. Last Friday, he appointed Yuri Maslyukov to oversee the economy as deputy prime minister. Mr Maslyukov headed Gosplan, the Soviet-era planning agency, from 1988 to 1991 in the days of *perestroika* under the then Soviet president, Mikhail Gorbachev. Though still a communist, Mr Maslyukov is in the party's moderate wing. On Sunday he told Echo Moskvy radio that he would produce a plan to stabilise the rouble today.

The Duma has meanwhile approved Victor Geraschenko as head of the Russian Central Bank. Mr Geraschenko lost that post four years ago after the rouble collapsed, mainly due to his inflationary monetary policies.

In his first televised interview since his appointment, Mr Primakov said the idea to return Mr Geraschenko to his old job had come from Russia's powerful private bankers.

Mr Primakov also denounced what he called the "GKO pyramid", the Russian government's market for short-term borrowing, which recently collapsed. He said he would continue to encourage foreign investors to come to Russia, but only to invest in the "real economy".

Mr Primakov also appointed Igor Ivanov, his former deputy, as the new foreign minister on Friday. Mr Ivanov is a career diplomat who specialises in European affairs, but little is known of his politics.

Kommersant, Russia's influential business daily, said the appointment of Mr Primakov and his communist deputy marked the end of an era for President Yeltsin.

"A constitutional coup has effectively take place in the country. Russia, which was a presidential republic, has become a parliamentary republic."

But Otto Latsis, one of Russia's most respected liberal columnists, said Mr Primakov's government has unprecedented political support from both the communists and the liberal Yabloko party to make necessary economic reforms. "The main problem of all governments in the past few years was the lack of political resources in order to pursue necessary economic reforms," he said.

● Russia's prosecutor general has launched criminal proceedings against the former St Petersburg mayor, Anatoly Sobchak, accusing him of taking bribes and abusing his power, Reuters reports. St Petersburg law enforcement sources were quoted as saying the former icon of Russian liberals had been charged, but gave no further details.

Albanian premier's office set on fire

Supporters of Albania's opposition Democratic party stormed and set fire to the prime minister's office yesterday in a protest against the assassination of an opposition leader the night before, Reuters reports from Tirana.

Crying "revenge", a crowd of about 2,000 first set fire to cars outside the Interior Ministry, whose walls were hit by bullets, before moving on to the nearby office of Fatos Nano, the socialist prime minister.

Black smoke billowed from 10 cars burning in the street outside the premier's office in a reminder of scenes from March last year, when protest against the collapse of pyramid finance schemes turned violent and the country came to the brink of anarchy.

Protesters threw stones at the three-storey building before charging in to avenge the death of the Democratic opposition leader. Azem Hajdari, who was gunned down as he left his party office on Saturday night. The Democratic party blamed the killing on Mr Nano.

A cameraman said he saw at least one protester with a chest wound, who appeared to have been killed by gunfire. Later in the day, Tirana's streets were empty, but occasional shots were heard in the capital.

Mr Nano's spokesman, Ben Blushi, asked if Mr Nano was in his office, said: "Nano is here. It's normal now; he is working."

The Tirana head of the Organisation for Security and Co-operation in Europe (OSCE), Daan Everts, called Mr Hajdari's killing "atrocious" and appealed for calm. He said representatives of the world community in Tirana would meet today to discuss the situation.

The government denounced Mr Hajdari's killing and posted a reward of between $50,000 and $100,000 (£30,000-£60,000) for information leading to an arrest.

Mr Sali Berisha, former Albanian president and a Democratic party member, blamed the assassination on Mr Nano. "Our ultimate demand is for the government to resign within 24 hours," Mr Berisha said.

Mr Everts said the government should be allowed to pursue the case but there should first be calm. Mr Berisha could not give ultimatums.

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GERMAN ELECTION OPINION POLLS INDICATE CDU/CSU HAS BATTLE AHEAD IF IT IS TO NARROW GAP WITH SPD

Kohl set for final push to lift ratings

By Peter Norman in Bonn

Helmut Kohl, Germany's chancellor, has long insisted that the final two weeks of campaigning will determine the outcome of the September 27 general election.

His instincts appear to have been supported by yesterday's Bavarian election results, but the latest nationwide opinion polls suggest Mr Kohl's campaign went nowhere last week, with support for his Christian Democratic Union (CDU) and its Bavarian sister party, the Christian Social Union (CSU), barely changed at around 37 per cent.

After adjusting their raw survey data to project the election result, Germany's leading polling organisations suggested the opposition Social Democratic party (SPD) of Gerhard Schröder, its candidate, would be the largest party in parliament with the support of around 41 per cent of voters.

The environmental Green party, a potential coalition partner for the SPD, should win more than 5 per cent of the votes and so re-enter the Bundestag, the lower house of parliament. The Free Democrat party (FDP), the junior member of Mr Kohl's coalition, and the former communist Party of Democratic Socialism (PDS) are too close to the 5 per cent hurdle to predict which coalition will emerge after the vote.

Some pollsters' findings are bleak for the chancellor. Forschungsgruppe Wahlen (FGW), which alone publishes raw survey data, said CDU/CSU support fell last week to an unadjusted 34 from 37 per cent, while backing for the SPD advanced to 45 from 43 per cent. In its report for the ZDF TV channel, FGW put Green support at 8 per cent, up from 7 per cent and FDP support at 6 per cent (5 per cent).

In an interview with Bild am Sonntag newspaper, Mr Kohl predicted that many voters would decide their preferences only shortly before polling day. There were fewer voters with fixed party loyalties while traditional party strongholds no longer existed.

Observer, Page 15

Opinion polls in Germany's general election campaign
Answering the question: "How would you vote if the election were held next Sunday?" Polls published in the week ending September 12. (Change from previous week)

%	FGW	Emnid	Infratest/ Dimap	Forsa	Allensbach
CDU/CSU	37 (-1)	38 (+1)	37 (-)	37 (-)	35.6 (+0.1)
SPD	41 (-)	41 (-1)	42 (-1)	43 (+1)	40.3 (-0.3)
Green	6 (-)	6 (-)	7 (-)	6 (-)	7.5 (+0.5)
FDP	6 (+1)	5 (-)	5 (-)	4 (-1)	7.2 (+1.1)
PDS	4 (-)	5 (-)	4 (-)	4 (-)	4.5 (-0.4)
Far Right*	–	5 (+1)	4 (+1)	4 (-)	2.1 (-0.3)
Other**	6† (-)	–	1 (-)	2 (-)	n.a.

* Mainly Republican, German Peoples' Union (DVU), German National Party (NPD)
** A further 24 parties will field candidates for the Bundestag † Includes far right


CSU leader Theo Waigel and his wife Epple vote in Bavaria yesterday Reuters

ECB turns cautious on effects of turmoil

ECB watch

By Wolfgang Münchau in Frankfurt

Europe's new monetary chiefs are eating their words. Time and again they have insisted that the Asian financial turmoil would not spill over to Europe, nor obstruct next year's scheduled launch of the euro, the single currency. Now they are backtracking.

The European Central Bank waited to get its new message out until Friday night, when the rest of the world was absorbed with the Starr report on the sexual and other misdemeanors of Bill Clinton, the US president. The current global financial turmoil, the monetary chiefs now acknowledge, is far more serious than they had earlier thought.

Wim Duisenberg, ECB president, warned at a news conference in Frankfurt on Friday that the international financial turmoil would have "a dampening affect" on world growth.

The ECB also appears to be recognising publicly for the first time what international economists have been saying for months: Europe cannot remain immune from a global crisis.

European Union officials, politicians and central bankers had previously dismissed fears of a spillover from Asia and Russia because of Europe's relatively small trade exposure to these regions. But Mr Duisenberg acknowledged: "This analysis should not mislead us. We are perfectly aware that the risks associated with current global developments go beyond those effects which we can measure directly." The most important of these is confidence of investors, savers and cpmpanies.

Mr Duisenberg's new caution contrasts with his far more optimistic assessment of Europear growth prospects during the summer. The ECB insisted then that Europe stood on the threshold of a strong cyclical upswing, with real growth forecast at around 3 per cent for 1998 and 1999. Senior central bankers said privately that the euro could not have been launched at a better time.

Bank now says global financial turmoil is far more serious than it had thought earlier

The ECB's new caution may affect the level of joint interest rates when economic and monetary union (Emu) starts on January 1, 1999. Officials previously hinted that euro-wide short-term interest rates would have to be higher than the current benchmark 3.3 per cent, the level in Germany and France.

While some senior monetary officials effectively have ruled out a rate cut, there now appears to be little appetite for an interest rate increase either. The ECB believes that the euro-zone is operating in a stable monetary environment, with neither inflationary nor deflationary threats on the horizon.

There is another reason for the more cautious economic outlook. Projections of second quarter economic growth in the euro-zone point towards a mild slowdown after a strong first quarter with annual growth of over 3 per cent.

Mr Duisenberg said that he still believed the euro-zone economy was broadly on track, helped by solid consumption and investment growth, although industrial production growth has slowed between April and May.

"More up-to-date indicators point towards continued expansion in the second quarter, albeit at a possibly more moderate pace than in the first quarter," he said.

The difficulty for the euro, however, is that the Asia and Russia crises have dented the optimism of European policymakers, and that in itself can weigh as an economic factor in the adventure of launching a new joint currency for Europe.

Accord eludes central Europe trade grouping

By Robert Anderson in Prague

A summit of leaders of countries of the Central European Free Trade Agreement (Cefta) failed at the weekend to make concrete progress on liberalising agricultural trade.

Cefta was founded in 1992 to promote harmonised economic development through increased trade as a way of preparing for membership of the European Union. With the goal of creating a free trade zone by 2001, its members have liberalised 90 per cent of trade in industrial goods which has assisted a rapid growth in regional trade.

However, liberalisation of agricultural trade has been much slower. Poland and Slovenia in particular have resisted changes which they fear would damage their inefficient farming sectors.

Liberalisation of trade in agricultural products had originally been planned for next year, but a meeting of farm ministers in Prague last month agreed to postpone this and set up a subcommittee to analyse the compatibility of agricultural policies.

The two-day Prague summit endorsed this decision and also called for mutual recognition of industrial and agricultural test certificates by the end of next year.

However, these steps were overshadowed by a row between Hungary and Slovakia over wheat imports. Viktor Orban, Hungary's new premier, charged Slovakia with imposing a 70 per cent tariff on Hungarian wheat just the day before the summit.

"There was no negotiation before the Slovak decision," Mr Orban said. "The Hungarian government has to initiate the appropriate response before the World Trade Organisation. This is very much against all the principles and regulations of the WTO."

Mr Orban and Vladimir Meciar, his Slovak counterpart, conspicuously failed to hold a bilateral meeting after the summit. Hungary and Slovakia have longstanding quarrels over the rights of Slovakia's ethnic Hungarian minority and its construction of the Gabcikovo hydro-electric complex on the Danube.

Mr Meciar, on his first official visit to the Czech Republic for three years, did, however, meet Milos Zeman, the new Czech premier. The two leaders agreed to restart the joint commission which had been considering the division of assets left over from the split of Czechoslovakia in 1993.

Cefta, which groups Poland, the Czech Republic, Slovakia, Hungary and Slovenia, welcomed in Romania last year.

Bulgaria will join as a full member on January 1.

Uefa's competition curbs to be probed


Karel Van Miert, EU competition commissioner: seeks more

By Neil Buckley in Brussels

Controversial rules from Uefa, European football's governing body, which ban more than one club with the same owner from taking part in the same European competition, are under scrutiny by the Brussels competition authorities.

Karel Van Miert, the European Union's competition commissioner, asked Gerhard Aigner, Uefa secretary-general, for more information on the restrictions at a meeting on Friday.

Under the rules, adopted in May, if two clubs with the same owner qualify for a competition, Uefa decides which can take part.

Although only two companies in Europe currently own more than one club, more corporations are looking into multiple ownership. Last week's agreed £623m ($1.04bn) takeover of Manchester United by BSkyB, the satellite broadcaster, provided further evidence of how powerful corporate interests are moving into football.

Canal Plus, the French TV group, already owns France's Paris St Germain and Servette of Switzerland, while Enic, the UK sports and leisure group, has controlling interests in Vicenza of Italy, Slavia Prague of the Czech Republic and Greece's AEK Athens, plus a large stake in Rangers of Scotland.

The Uefa rules aim to prevent the possibility of match fixing if clubs with a common owner were to meet in competition. But analysts suggest Uefa is concerned development of multiple club ownership could eventually allow corporate owners to group together and form breakaway competitions.

Enic has threatened legal action over the Uefa rules.

Officials said the European Commission, the EU's executive branch, had received no formal complaints but needed to ensure the rules did not breach article 86 of the EU treaty, banning abuse of dominant positions.

"We have to see whether the rules are proportionate, or whether there is a less severe way to prevent match rigging," said one official.

Mr Aigner used his meeting to warn Mr Van Miert that the European football super league proposed by Media Partners, the Italian marketing and sports rights company, would "not be good for European football".

Mr Van Miert requested more information on the league last week from Rudolfo Hecht-Lucarel, Media Partners' chairman. While they concede plans for the league are "not concrete", officials expect to see at least a copy of the proposed contract with clubs.

NEWS DIGEST

COMPUTER PROBLEMS BLAMED

Bosnians queue to vote as confusion marks poll

Two days of elections in Bosnia ended on time yesterday in spite of delays and confusion blamed by western organisers on computer glitches and human error. Bosnians queued patiently outside polling stations in driving rain and a high turnout was forecast.

Diplomats were hopeful that a western-backed coalition of moderate parties would consolidate its hold on power in the Serb-controlled half of Bosnia and oust Momcilo Krajisnik, the hardline nationalist representative on the country's collective three-man presidency.

In the Moslem-Croat federation that makes up the other half of Bosnia a new more moderate Croat party was expected to make gains, while the Moslem Social Democrats could win in some cantonal elections. But the leader of the ultra-nationalist Serb Radicals indicated his party might reject the results. Nikola Poplasen said the delays and confusion on Saturday in over 100 polling stations could have been part of a western plot to rig the elections.

Partial results are expected tomorrow but the final outcome may not be known for more than a week.
Guy Dinmore, Banja Luka, Bosnia

NINE INDUSTRY SECTORS

Apec trade 'breakthrough'

The 18-member Asia Pacific Economic Co-operation (Apec) forum yesterday announced a "breakthrough" towards finalising a trade liberalisation accord in nine industry sectors. Abdul Razak Ramli, Malaysian chairman of a meeting of senior Apec trade officials, said progress was achieved by allowing for reservations expressed by various economies and making provision for greater flexibility in implementation.

A timetable for cutting tariffs and opening up trade worth some $1,500bn in nine industry sectors was held up at a June meeting because of opposition from some members, particularly Japan. The nine sectors covered by the Apec "fast-track" programme are environmental goods and services, fish, forest products, medical equipment and instruments, telecommunications mutual recognition agreement, energy, toys, gems and jewellery, and chemicals. Leaders of the 18 member economies will meet in Kuala Lumpur in November to approve the trade liberalisation package.
Reuter, Kuantan, Malaysia

AZERBAIJAN ELECTION

Police clash in Baku protest

Police clashed with demonstrators in the streets of Baku at the weekend, as Heydar Aliyev, president of Azerbaijan, tried to prevent opposition parties from holding a rally before elections on October 11.

Scores of people were arrested, among them three opposition leaders, and at least 10 were injured.

The violence was the first street disturbance seen in Azerbaijan for five years and virtually the first open dissent against Mr Aliyev's leadership. A grouping of five opposition parties, which are planning to boycott the poll, had called the rally to demand free and fair elections and changes to the Central Election Commission.

Many of the protesters, however, said they were not affiliated to any party. Women and children mingled with students, intellectuals and workers and said they wanted to protest against harsh economic conditions and widespread high-level corruption.

Mr Aliyev is presiding over an incipient oil boom in Baku, but the promised wealth has touched few ordinary citizens. High unemployment and low pay and pensions have left almost half the country in poverty. **Carlotta Gall, Baku**

NORTHWEST AIRLINES

US pilots to end strike

Representatives of 6,200 striking US pilots on Saturday approved a contract with Northwest Airlines, ending a two-week shutdown of the nation's fourth largest airline.

Officials at Northwest said the airline had already begun to call back 31,000 employees placed on leave during the strike and 25 per cent of its flights would resume in four days. Full service is expected to resume in nine days.

Northwest's pilots went on strike shortly after August 29 over pay and job security. The new contract gives Northwest pilots a 12 per cent pay increase over the next four years and establishes a stock options and profit-sharing programme. The pact gives pilots a lump sum payment equal to 3.5 per cent of their wages since October 31, 1996 and the date of the signing of the new contract.
Reuter, Minneapolis

ITALIAN FUGITIVE

Gold found at Gelli home

Police confiscated 150 gold bars worth L3bn ($1.75m) hidden in flower pots at the Tuscany villa of Licio Gelli, the Italian fugitive arrested last week. Officials said at the weekend that gold weighing 165kg had been found in the pots lining several terraces of Gelli's mansion in the town of Arezzo.

The former grandmaster of Italy's outlawed P2 lodge, Gelli was arrested in the French Riviera resort of Cannes on Thursday four months after he had escaped from Italian justice. Italy has asked for his extradition. He was transferred to a hospital prison in Nice, where officials said he attempted suicide after suffering a mild heart attack following his capture.

The fugitive was sentenced to 12 years in jail for fraud linked to the 1982 collapse of Banco Ambrosiano and had failed to show up at a police station in Arezzo in May while on parole awaiting appeal rulings.

Police said they had tracked down the gold to Gelli's villa after examining documents found in his Cannes apartment. He may have owned them since the end of the second world war, they said. **Reuters, Rome**

DISPUTE OVER MAP

Ross to extend Mideast visit

Dennis Ross, US Middle East envoy, will remain in the region for another few days after failing to break the 18-month deadlock in the Israeli-Palestinian negotiations.

Although there are many outstanding issues to be resolved, the main one is reluctance by Israel to show to the Palestinians where exactly they want a so-called nature reserve in the West Bank. That reserve would make up 3 per cent of the 13 per cent that Israel said it was now prepared to hand over to Palestinian control. Israeli officials said they wanted the 3 per cent to be placed under Israeli security until a final settlement was reached.

The Palestinians have in principle accepted the US plan, envisaging Israel ceding 13 per cent of West Bank land. But Saeb Erekat, Palestinian chief negotiator, said it was impossible to sign up to the US plan without seeing the maps. **Judy Dempsey, Jerusalem**

صكرا من الاصل

Hong Kong's financial skirmish is won but some lustre is lost

Donald Tsang, the financial secretary, explains his strategy to **John Ridding and Louise Lucas**

Tsang: political vacuum

After Hong Kong's latest and biggest battle to defend its currency, Donald Tsang is counting the costs of conflict. While the territory dug deep into its financial reserves, buying shares to battle speculators last month, it is the threat to its free market credentials that most concerns the financial secretary.

"That was the most difficult part in my mind when I went into this, not the depletion or transfer of assets, but rather our international reputation," says Mr Tsang. While he believes the government's objectives were achieved, damage was sustained. "There is no doubt about it, we have lost a bit of our shine."

In an attempt to restore the territory's lustre, Mr Tsang will soon head to Europe and the US to put Hong Kong's case. He will seek to reassure sceptical investors and officials that Hong Kong is not straying from the path of market discipline and that the currency peg will remain intact. But he will also urge greater international efforts to reduce the risks of volatile global capital flows that have rocked Hong Kong and ruined the region.

"We are now in a world crisis," says Mr Tsang. "If we don't handle it carefully we will all be in recession." While international regulations are in place for issues ranging from drug trafficking to telecoms, he argues, there is a dangerous lack of co-operation about financial flows. "There is absolutely a vacuum in political influence," he says, calling for greater transparency and discipline over hedge funds and speculative capital.

To defend its 15-year currency peg against such funds, Hong Kong spent an estimated US$15bn of its US$96.5bn foreign exchange last month, ending up with big stakes in the territory's biggest companies to the dismay of many in the international financial community.

It was an agonising decision for Mr Tsang, long an advocate of small government and free markets. "But I had no alternative," he says. In his view, the three other options – inaction, Malaysian style exchange controls, and devaluation – carried much greater risks, from public panic to shattering of Hong Kong's standing as a regional financial hub.

The decision to "stand and fight" was designed to restore order not obstruct economic adjustment, he insists. "I have no preconditions about where asset prices should be. We are adjusting very rapidly, but we do not want speculators to dictate the rate," he says.

While Mr Tsang expects further battles ahead, he believes the immediate crisis has passed. "I am certainly less exercised than last month," he says. Reforms to the currency board mechanism have eased liquidity in the banking system and helped bring down interest rates, while tougher regulations in the securities markets are being implemented to bolster the territory's defences.

The combined effect should reduce the need for future intervention in the stock market, says Mr Tsang. But he insists the territory can afford to fight on if necessary. "I can go right down to the US$12bn needed to cover my issued currency," he says. "But we don't want to run down our reserves, and we don't need to." While refusing to disclose how much was spent in August's battle, he says the sums were less than most estimates – which range from US$14bn to US$20bn.

'Hong Kong is very cosmopolitan. The idea of a fight between ourselves and foreigners is just not in our nature'

The costs to Hong Kong's corporate and social culture could be higher. Local newspapers portray speculators as crocodiles and the territory's officials as champions engaged in a battle against foreign adversaries. "There is the danger of an 'us and them' culture," says Philip Moffitt, executive vice president of Tokai Asia, investment arm of the Japanese bank.

The grip of the financial authorities has also tightened. Reforms to the currency board system, for instance, require increased administrative supervision of banks to prevent speculators getting hold of low cost funds resulting from the fall in interest rates. "It is starting to feel very Singaporean," says one banker.

Mr Tsang plays down the risks of financial jingoism. "Hong Kong is very cosmopolitan. The idea of a fight between ourselves and foreigners is just not in our nature at the end of the day, it might sell some newspapers but it won't hold," he says. "The last thing we want is unhealthy nationalism."

The financial secretary rejects comparisons with Malaysia. "We are not introducing foreign exchange controls. We have a level playing field, where the new restrictions apply to local people as well as foreign investors," he says. New regulations in the futures market are less stringent than the rules in New York. While there will be increased "monitoring" of banks, this is also in line with international trends. Until the environment stabilises and international measures limit the risks of short-term capital flows, such monitoring is necessary, he believes.

Unfortunately for Mr Tsang, neither stability nor international agreements appears on the horizon. President Clinton's travails are proving a distraction in the US, while this week's G7 meeting is preoccupied with the immediate crisis in Russia. Japan's interest rate cut last week appears as a sign of weakness and a portent of further economic upheaval in the region, while Latin America shows signs of succumbing to the global turmoil. "Now it is a full blown thing," says Mr Tsang. "That is why Hong Kong has to make sure it has put the guards up."

Turmoil feared as Zeroual quits

By Roula Khalaf

Algerian President Liamine Zeroual's decision to step down by February next year and to hold early elections has stunned Algeria's political class and plunged the strife-torn country in renewed political uncertainty.

Mr Zeroual announced late on Friday that he would call for elections within six months, more than a year before his term expires. In poor health since the beginning of this year, he is also believed to have come under severe pressure from the military and political establishment.

Elected in 1995, three years after the cancellation of elections the Islamic Salvation Front (FIS) had been poised to win, the former general had raised high hopes that he would bring an end to Algeria's bloodshed and improve miserable social conditions.

However, although the Algerian regime was no longer threatened by an Islamist takeover the attacks against civilians continued over the past year with large massacres of civilians.

Expectations that Mr Zeroual, who had tried several times to strike a deal with the FIS, would bring the party back into the political process also dissipated, as he repeatedly announced the FIS file was closed.

Under Mr Zeroual, Algeria implemented radical macroeconomic reforms guided by the International Monetary Fund. But restructuring of a corrupt and bloated public sector stalled and promises of privatisation failed to materialise.

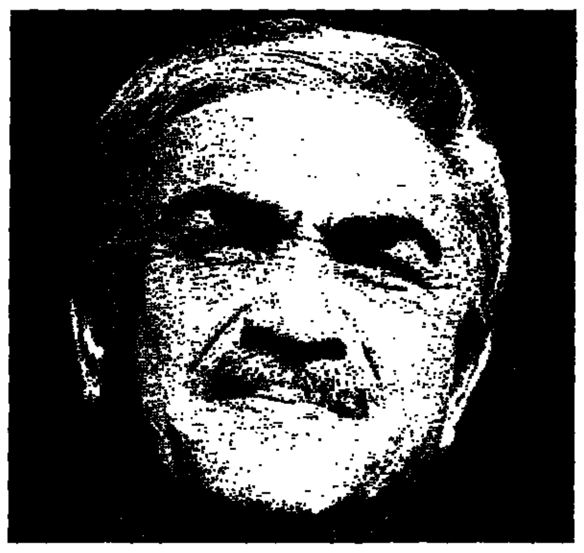
Thousands of companies were liquidated and an anti-corruption campaign put an estimated 2,000 public sector employees in jail, raising accusations of arbitrary decision-making.

With the devaluation of the dinar and the collapse in oil prices, social conditions also deteriorated, leading to mounting fears of a social explosion. In recent months, the general workers' union joined the chorus of criticism against the government and finally threatened a general strike.

Mr Zeroual was the army's choice for president in 1995, and the military establishment had appointed him to the post a year earlier. But as he tried to assert his authority, he came under increased pressure from hardline generals.

In a regime made up of rival factions and subject to often shifting alliances, some in the army were apprehensive of the inclusion of some Islamists in the government. Others attempted to limit Mr Zeroual's powers and appeared to be critical of the way he managed the country.

In the past few months, a concerted media campaign targeted Mohammed Betchine, Mr Zeroual's closest adviser, in an attempt to undermine the president.



Zeroual: under pressure from Algeria's military establishment AP

Over the past year, there have also been repeated calls for the resignation of Ahmed Ouyahia, the prime minister, who has enjoyed Mr Zeroual's trust since his 1995 election.

RENMINBI WORRY MEETING WITH JAPANESE

China hardens its foreign currency curbs

By James Kynge in Beijing

China is tightening control over outflows of foreign currency, in spite of rising demand for US dollars among a public increasingly nervous over a possible devaluation of the renminbi.

The curbs on banks selling foreign exchange have come as China and Japan prepare to hold an unprecedented meeting today in an attempt to find a common approach to defending their economies from Asia's crisis.

China is sure to reiterate its desire that Japan seeks to stabilise the yen, thereby improving the outlook for Chinese exports to Japan. The meeting is to be led by Koichi Haraguchi, Japan's deputy foreign minister, and Sun Zhenyu, a vice minister of foreign trade.

Any initiatives from the meeting could help to bolster confidence in the renminbi, which has sunk to its lowest levels this year on China's street-side black markets. In Beijing, money changers were offering to buy dollars at RMB8.8 at the weekend, compared with the official rate of RMB8.27. In the southern city of Guangzhou, the rate had reached RMB10 to the US dollar, residents said.

Nervousness over a possible renminbi devaluation has been fuelled by recent speculative attacks against the Hong Kong dollar's peg to the US dollar. Many Chinese believe that if the Hong Kong dollar peg is broken, Beijing will be forced to break repeated promises not to devalue the renminbi.

Chinese officials and economists, however, said that the government was as committed as ever to its pledge against devaluation. They added that even a severing of the Hong Kong dollar peg would be unlikely to convince Zhu Rongji, the prime minister, to devalue.

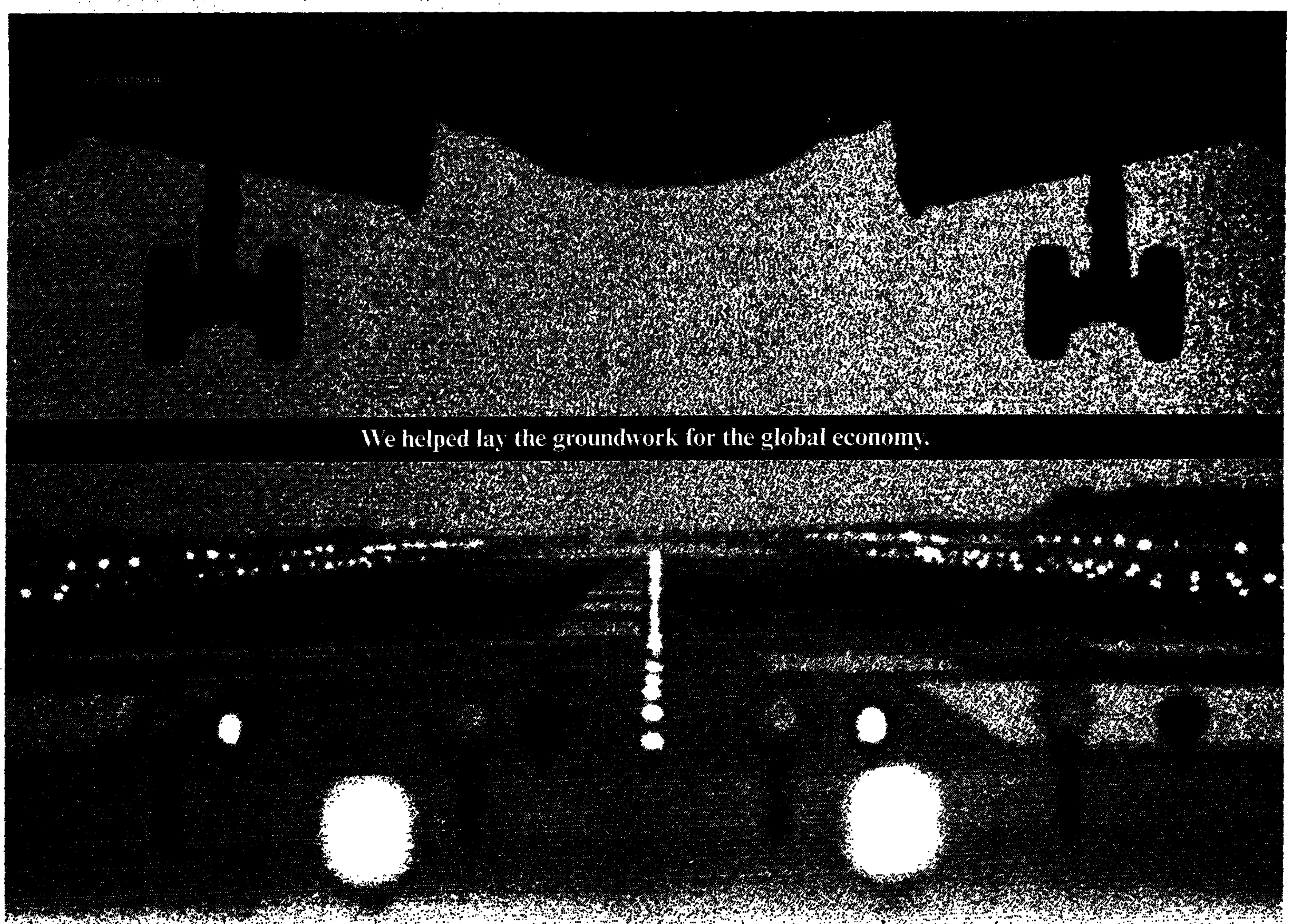
Concerned about an outflow of foreign currency from the banking system, authorities have banned four banks in the southern city of Shenzhen from selling foreign exchange because of irregularities in their accounts. The Shenzhen branches of Citic Industrial Bank, Everbright Bank, Minsheng Bank, and Shenzhen City Commercial Bank had been selling foreign exchange to companies without proper documents, the official media said.

The renminbi is convertible only for the trade of goods and services but many have exploited loopholes allowing companies to buy large volumes of smuggled imports. The use of foreign currency for smuggling and other irregular activities helps explain why China's foreign exchange reserves have risen only slightly to $140.2bn this year despite a trade surplus of $31.3bn in the first eight months.

Also, widespread oil smuggling has hit domestic producers hard. Yesterday, the official media said China would temporarily ban all diesel and petrol imports from September 20.

Banks are also tightening procedures on selling foreign exchange to individuals, who are entitled to buy $2,000 on presentation of a foreign visa. Recently, Chinese in Beijing said banks had refused to provide this for customers who had "gone abroad already this year".

● Deflation gathered pace in China last month as prices slide further in the oversupplied Chinese market on weak domestic demand. The retail price index fell 3.3 per cent in August against the same month a year ago. In July, the RPI fell 3.2 per cent. The decline came despite an increase in the price of rice of about 15 per cent in some cities since mid-August.



Literally.

Every time an airplane touches down, in almost any airport in the world, we can say we paved the way – because the odds are our machines helped build the runways.

Caterpillar machines also played a key part in developing many of the roads and railways, bridges and canals that carry the world's commerce. And our engines provide power to many of the locomotives, tugs, and trucks that travel on them.

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And when people trade together they exchange ideas. They become more understanding and more open. And that could be the most important global trade of all.

CATERPILLAR

THE CLINTON CRISIS

CONGRESSIONAL PARTY RESPONSE POSSIBILITY AIRED OF CENSURE VOTE AS MOST APPROPRIATE OPTION

Democrats rally to defence of president

By Adrian Michaels in Washington

Bill Clinton has not spent much time courting Congressional Democrats, but some of them rallied to his defence yesterday in what looked like a softening of the critical stance taken by many in the president's party in the days leading up to the release of the Starr report.

For the first time, some Democratic leaders aired the possibility that a vote of censure, the option floated weeks ago as a course to steer between silence and impeachment, might once again be the most appropriate line.

David Bonior, the second-highest ranking Democrat in the House of Representatives, told NBC: "I don't think the president should be impeached... He has done a good job for his country." Mr Bonior, one of those who had campaigned hardest for the president to be more contrite in public, seemed satisfied by the tone of Mr Clinton's latest apologies. "There's no question that he misled the American people. He's said that."

Media frenzy at the White House: Democrats' sentiment appears to be softening AP

Although he said that "doing nothing is unacceptable", Mr Bonior said: "A rebuke becomes a very real option." The idea of censure had seemingly died last week as Democrats believed it would no longer be enough.

Some Democrats turned the heat up on Kenneth Starr, the independent counsel, just as the president has been careful in recent days to stop criticising him. They said the report was a one-sided prosecution and that there were still 2,000 pages of appendices and 17 boxes of additional evidence to be sifted.

"This president will not be railroaded if the Congressional black caucus has anything to do with it," said Maxine Waters, head of the caucus and a member of the House judiciary committee that would hold impeachment hearings. The black caucus, along with black voters, has been among the president's staunchest allies. Of the 63 Democrats that voted against release of the report on Friday, half were caucus members.

Mr Bonior said the report had not helped Mr Starr: "The report was written to shock people... it's too lurid."

Other Democrats believed the salacious details in the report had made people sympathetic to the president. Eliot Engel, a Democrat Congressman from New York, told CNN that people in his district thought the report was a witch hunt, and the president should remain in office.

Mr Engel argued that the House had not been fair in publicly releasing the report at the same time as the White House received it. He said the president "made a mistake, there is no doubt about it", but argued the document was meant only "to embarrass and humiliate the president" and that "all the people in my district think he should stay in office".

Elijah Cummings, a Maryland Democrat, said he had told Mr Clinton "that in my district of Baltimore, I was getting calls 12 to one in his favour... I have not spoken to one person before yesterday, not one, who said the president should be impeached, in my district".

Senator Bob Kerrey of Nebraska, who has sometimes been a sharp critic of the president, thought the public would not turn on Democrat candidates in the November Congressional elections.

"I do think that most of the candidates that I've talked to out there are saying that they don't think that the president's problems are going to have much of an impact on their race."

Charles Rangel, a New York Democrat who sits on the House judiciary committee, said: "When you've got nothing else going for you, you go for the dirt and filth. Mr Starr had taken the affair with Monica Lewinsky and "pumped it into a nickel-and-dime lurid sex story". "I think that's all he had, he had no choice. He fired his best shot."

Mr Kerrey was keen to let Congress do its job before jumping to conclusions, although he repeated his dismay at Mr Clinton's behaviour: "I'm angry about it. It's inexplicable to me. And I think the president himself understands that... But we've got to get over that anger. That anger doesn't take us anywhere. It's not constructive."

In a sign that the men in grey suits are not yet preparing a posse for the White House, Mr Kerrey also pointed out that only one side had so far put its case: "We've heard the prosecutor's case. We're going to hear the defence. It's going to go to the judiciary committee. And I think all of us have to wait until we've heard all the facts before we reach our judgment."

BEHAVIOUR

Ready to risk so much for a furtive affair

By Stephen Fidler In Washington

President Bill Clinton emerges from the 445 pages of the Starr report as a man working long hours under almost constant surveillance, who was nonetheless ready to risk a furtive affair with a woman 30 years younger than himself.

What also emerges – from what is admittedly a prosecutor's document – is a man prepared to mislead even close associates, sometimes by using the semantics of very narrow definitions. There are also glimpses of his legendary temper: at one point, Mr Clinton was said to be so upset with a secret service officer – who had disclosed to a waiting Monica Lewinsky whom he, the president was meeting – that "he wants somebody fired over this".

Mr Clinton was watched not only by Secret Service officers, but by other White House staff members, some of whom acted to protect a president whose reputation they regarded as susceptible to rumours about extramarital affairs.

It was one such staff member, alerted by a Secret Service officer to Miss Lewinsky's frequent visits to the Oval Office area, who decided to "get rid of her". Evelyn Lieberman, deputy chief of staff for operations, testified to the grand jury that she could not recall hearing rumours linking the president to Miss Lewinsky, but acknowledged that "the president was vulnerable to these kind of rumours" – and this was one reason for moving Ms Lewinsky out of the White House.

According Miss Lewinsky's testimony, Mr Clinton, now 52, told her he had had hundreds of affairs earlier in his marriage but that since turning 40 he had made a concerted effort to be faithful. It was often when his wife, Hillary Rodham Clinton, was out of Washington that the two met in an affair that neither side says was fully consummated.

Another part of the report is devoted to the efforts of Mr Clinton to deny his affair to close aides. This would ensure, the Starr report claims, that the aides would "relay the falsehoods to the grand jury". Mr Clinton's narrow definition of sexual relations allowed him to deny the affair, and later to explain he had not perjured himself. Indeed, only after incontrovertible evidence of a sexual encounter emerged – Mr Clinton's DNA found on Ms Lewinsky's stained dress that would match only one out of 7,870bn Caucasians – was Mr Clinton forced to shift his story.

According to David Maraniss, Pulitzer Prize winning biographer of Mr Clinton, the Clinton behaviour that emerges from the report follows a familiar pattern. He cites a section of the report in which the president compares himself to Nicholas Rubashov, the central character in the Arthur Koestler novel, Darkness at Noon.

In doing so, Mr Maraniss said in yesterday's Washington Post, Mr Clinton evoked many familiar characteristics: "his fertile literary imagination, his sense of victimhood, his desire to please, his need to conceal his own embarrassing sexual behaviour, his tendency towards self-delusion, his legitimate concerns about the invasive powers of his adversaries and his peculiar manipulation of semantics to construct a story line at one compelling and illusory."

The key to whether these will prove to have been fatal flaws lies probably with the American public, whose reaction will surely guide Congress. Few can have been ignorant of his reputation as a philanderer before the explicit details of the Starr report emerged, yet his popularity prevailed in spite of that.

Public reaction may well depend on what kind of implicit contract voters believed they had with their president. Was it one where he was supposed to suppress his apparent appetites while holding the highest office or one where, provided he kept the country and its economy on track, he could – within bounds – do what seems to have been most natural to him?

LEGAL REBUTTAL REPORT'S TONE CONTRASTS SHARPLY WITH CLINTON'S CONTRITION AND REPENTANCE

White House lawyers mount aggressive attack

By Richard Wolffe in Washington

The White House legal response to the Starr report represents a stark contrast to President Bill Clinton's personal apologies for his long affair with Monica Lewinsky.

Far from the president's tone of contrition and repentance, his lawyers yesterday mounted an aggressive and thorough attack of the charges laid out in the 450-page report.

While admitting the president had erred, his lawyers insisted the Starr report concentrated merely on sexual conduct and represented no grounds for impeachment.

Cheryl Mills, deputy White House counsel, said: "The president has acknowledged that his conduct was wrong. But does it rise to the level of high crimes and misdemeanours? The answer is No."

The details of the White House response were spread across a 42-page rebuttal of the findings of Kenneth Starr, the independent counsel. It was the second legal rejection of the Starr report – the first was released before the Starr report was even published on Friday.

The president's lawyers condemn Mr Starr's four-year investigation – and its referral to Congress – for publishing sordid sexual details in an attempt to hound the president out of office. "The referral is so loaded with irrelevant and unnecessary graphic and salacious allegations that only one conclusion is possible: its principal purpose is to damage the president," the lawyers said.

In particular, the White House attacks the report's "pious defence of its pornographic specificity". Instead of building a case for perjury, Mr Starr uses sexual details as "simply part of a hit-and-run smear campaign".

Mr Starr is accused of writing a one-sided report, which fails to discuss contradictory evidence, in a mixture of "biased recounting, skewed analysis and unconscionable overreaching".

The ultimate rejection of impeachment charges is based on a simple argument. Impeachment involves political offences which harm the state – not private offences which harm individuals.

However, the White House legal team rely on legalistic quibbling when it comes to defending the charge that Mr Clinton committed perjury in an attempt to cover up the affair.

The terms "sexual affair" and "sexual relations" are hard to pin down, according to the White House lawyers. In his evidence in the Paula Jones sexual harassment case, Mr Clinton's denials of an affair with Ms Lewinsky were merely "narrow answers to ambiguous questions". Oral sex – the basis of the 18-month affair – did not represent sexual relations for the president.

Moreover, the defence at times boils down to the president's word against Ms Lewinsky's. Mr Clinton did not commit perjury when he denied fondling Ms Lewinsky – in spite of her evidence to the contrary – because "a perjury conviction cannot rest on simple inconsistencies and memory disparities between only two witnesses".

The more substantial allegations of a cover-up centre on the involvement of Mr Clinton's friends in helping Ms Lewinsky search for a new job after her departure from the White House. Mr Starr attempts to paint these job searches as an effort to influence Ms Lewinsky's evidence about the affair.

But according to the White House, there is no evidence that the president was himself involved in the job search.

The White House appears on shakier ground when dealing with Mr Clinton's conversations with Betty Currie, his personal secretary, who is alleged to have been a key go-between.

The president's lawyers deny he tampered with Mrs Currie as a witness immediately after testifying in the Paula Jones case. They argue simply that Mrs Currie was not an official witness at the time of their conversations about Ms Lewinsky.

Instead, the White House attempts to justify Mr Clinton's conversations with Mrs Currie as an effort to "test his recall". "The president's actions were hardly surprising since he had just undergone hostile and unexpected questioning in a bitterly contested civil suit," the rebuttal said.

In conclusion, the White House says the Starr report refers to Whitewater – the failed land deal which sparked Mr Starr's investigation – just twice, while mentioning sex more than 500 times. Mr Starr's findings represent something "no prosecutor would present to any jury".

ADVERTISEMENT

Relief Fund for Forced Laborers

With its statement of July 7, 1998, Volkswagen AG announced that it would provide humanitarian relief to individuals who during World War II were forced to work for the Volkswagen company of that era.

The inhuman coercive practices of the Nazi dictatorship could not be undone by the comprehensive restitution made by the Federal Republic of Germany. Although Volkswagen AG is not legally obligated to do so, we believe that we are morally called upon to continue to make our own humanitarian contributions.

It is against this background that Volkswagen AG has not only made available more than DM 25 million to date for humanitarian projects in the homelands of former forced laborers but also for historical, social and educational projects. The peace promoting investments by Volkswagen AG in Israel and most recently in Sarajevo show that the company sees an obligation arising from the lessons of history to act with responsibility in the present and in the future.

We want to continue along the path we have chosen by providing assistance to former forced laborers, who during World War II were compelled to work at the Volkswagen company of that era and to make a contribution to their way of life at the advanced ages that they have reached. The company has decided, effective immediately, to create a Private Relief Fund, which is to make the announced support expeditiously and directly available to this group of people, regardless of citizenship or national origin.

Volkswagen AG is engaged in discussions with prominent persons regarding the establishment of a Curatorium that will determine the amount of the individual payments. The first payments to former forced laborers are to be made by the Fund before the end of the year. In accordance with our current knowledge, the Fund will be adequately financed and have a budget of DM 20 million.

In order to assure an unbureaucratic and expeditious disbursement of the funds, Volkswagen AG has retained the commercial auditing company, Wirtschaftsprüfungsgesellschaft KPMG Deutsche Treuhandgesellschaft, to carry out administrative tasks and make payments. The administration of the Fund will announce shortly where the former forced laborers can turn in order to apply for and receive humanitarian assistance after verification as rapidly as possible.

Volkswagen AG

Wolfsburg, September 11, 1998

HILLARY RODHAM CLINTON NO SIGN OF PERSONAL REACTION

Ghostly first lady keeps her distance

By Richard Wolffe

Amid the torrent of words published in official reports and rebuttals over the weekend, one figure plays a ghostly role in Monica Lewinsky affair.

Hillary Rodham Clinton, the first lady, is mentioned in the Starr report merely in the context of her absence – often on foreign travels – while the trysts between her husband and Ms Lewinsky are alleged to have taken place inside the White House.

In public, Mrs Clinton has played a similarly disembodied role since the Starr report emerged last week. Her appearances and comments have shown no sign of a personal response to the volume of embarrassing, personal details of her husband's alleged indiscretions.

The only suggestions of her predicament has come in the rapturous applause which has greeted her public appearances since the delivery of the Starr report to Congress.

The contrast with Mrs Clinton's early role when the Lewinsky scandal surfaced in January could hardly be more stark. Then, the first lady's intervention in the affair – in a breakfast television interview – proved highly influential in rallying support behind her husband.

At the time, Mrs Clinton condemned the scandal as the result of a "vast right-wing conspiracy" and dismissed the affair as untrue. She said she had spoken at length with her husband about the affair, and conceded it would be "a very serious offence" if true.

But her role in the Lewinsky scandal has been more ambiguous since the president acknowledged "an inappropriate intimate relationship" with Ms Lewinsky last month.

Hillary Clinton: has managed to avoid any direct reference to her family's experience AP

Then – just before the Clinton family vacation in Martha's Vineyard – her personal spokeswoman issued a statement saying Mrs Clinton was angry with her husband but would stand by him. Mrs Clinton was "committed to her marriage" and loved the president "very much".

The statement also suggested that Mrs Clinton had not been told the truth about the relationship until a few days before the president's public admission.

It insisted she had been misled about her husband's behaviour along with the rest of the American public when the scandal first surfaced. Instead of such direct interventions in the scandal, Mrs Clinton's role over the last week has been entirely centred on policy issues and a public composure.

She accompanied her husband on several events on the day of the Starr report's publication – including his emotional repentance speech at a prayer breakfast.

At just one event, Mrs Clinton appeared alone, and managed to avoid any direct reference to her family's experience under the intense scrutiny of the Starr report.

Nevertheless, her subject was the importance of family life. In a sober, workmanlike speech to foster children and youth workers, she spoke about the Clinton administration's achievements with a pro-family, pro-adoption agenda.

"I think there is a lot you can help teach Americans about resilience, hope, grit and determination." Mrs Clinton said.

Carol Williams, health and human services administrator, introduced Mrs Clinton by telling the young audience of a first lady who was above all a mother-figure to the country: "I believe that she wants for each of you what she and the president have been able to provide for Chelsea – love, security, opportunity."

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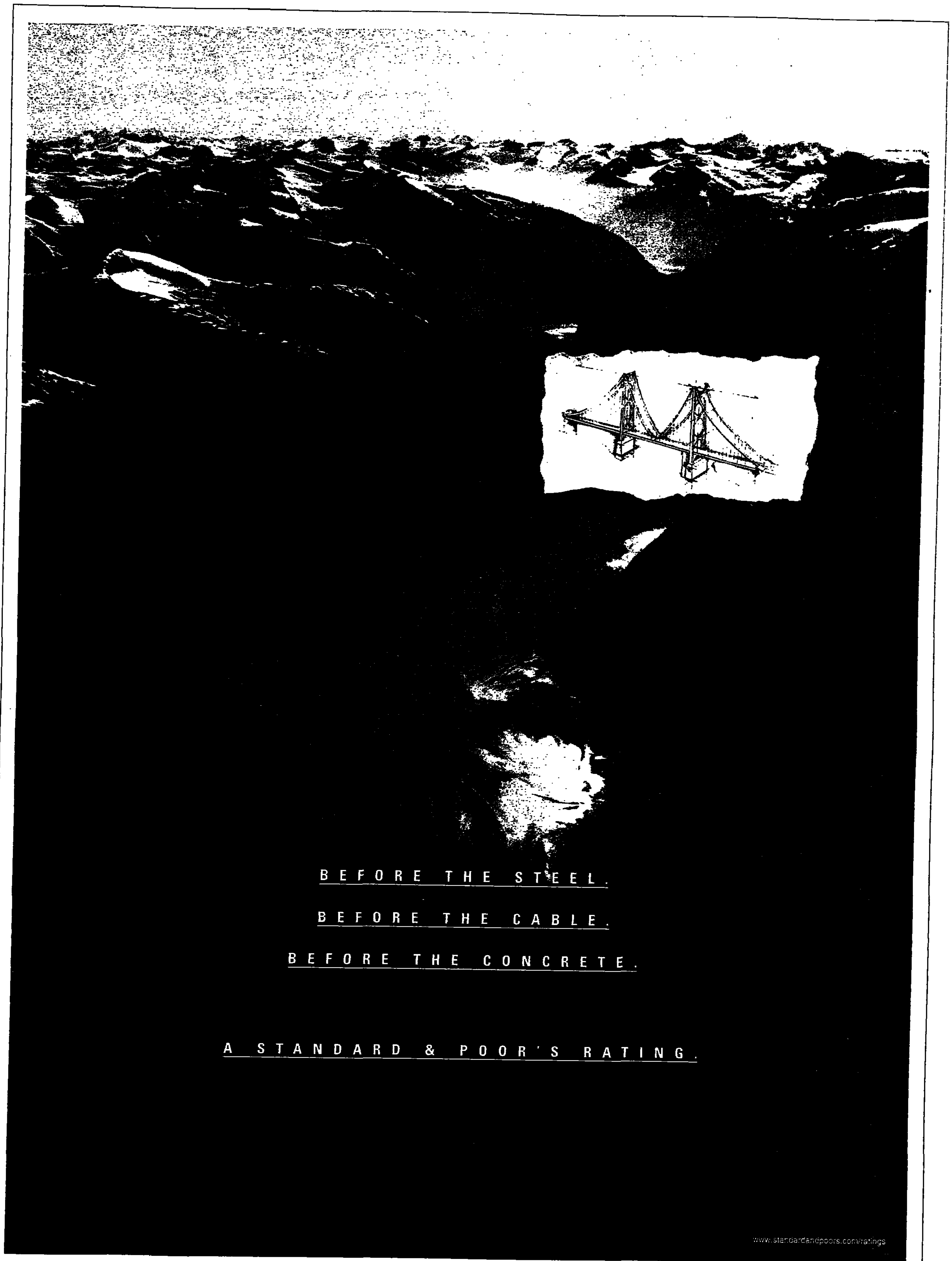

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STANDARD & POOR'S

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AMERICA AT PRAYER PASTORS STRESS FORGIVENESS BUT ATTACK THE THREAT TO US CULTURE OF UNTRUTHFULNESS AND OBSCENITY

Churches worry about lying and adultery

By John Authers in New York

One question took priority for many Americans yesterday as they went to morning church services: "Will we pray for our president? And will we pray for our culture?"

That was the message from John Schmidt, whose sermon from Montgomery, Alabama, was broadcast nationally on the Frazer Family Hour.

Like many protestant pastors, he chose to direct his sermon squarely at the moral issues raised by Kenneth Starr's report, and by the president's decision not initially to tell the truth about it.

But in common with other priests, he was concerned more with the issue of untruthfulness than with the revelations of adultery. And he also railed against the effects of the scandal on the nation's culture, as parents across the US faced questions from their children about cigars and oral sex.

This reflected the widespread concern, even in much more socially liberal areas of the country such as New York City, that the full sexual details in Mr Starr's report should not have been made widely available.

Southern Baptists, in particular, could prove pivotal. The nation's single largest protestant denomination, they number most of the nation's leading politicians among their followers, including the president himself, Al Gore, the vice-president, Newt Gingrich, the House speaker, and Trent Lott, Senate majority leader.

Their views are nationally syndicated on television.

Mr Schmidt made five which points all had direct relevance for the president. Each was flagged with a bright caption on the television screen: "God hates it when we lie. Our sin will find us out. God forgives sin. Don't judge, lest you be judged. We must pray for our leaders and for our nation."

"Baptist Hour", broadcast to the nation from Jackson, Mississippi, chose to devote itself to the sin of adultery. But the preacher took as his text the event where Jesus tells people at a public stoning: "Let him that is without sin cast the first stone."

He went on to add that forgiveness, and recognition of the sin of adultery, was most important. He said: "Is there anyone in this room who has not been touched in some way or another by the sin of adultery? There must be a recognition of sin and a recognition that this sin must be dealt with."

He added that those who did not do so – he did not name the president – "keep caught up in all the guilt of it". He attacked a culture where "on television, every other channel, day after day, someone is crawling into bed with someone to whom they are not married".

He complained that many in the nation were "addicted to pornography", and that he could not read the sports pages without wading through advertisements for "the local live pornographer", and "desperate advertisements from desperate people".

Mr Schmidt also complained of a broader malaise: "How do we respond in our culture? Everywhere we hear lies. The country is possessed by lying, and God hates that."

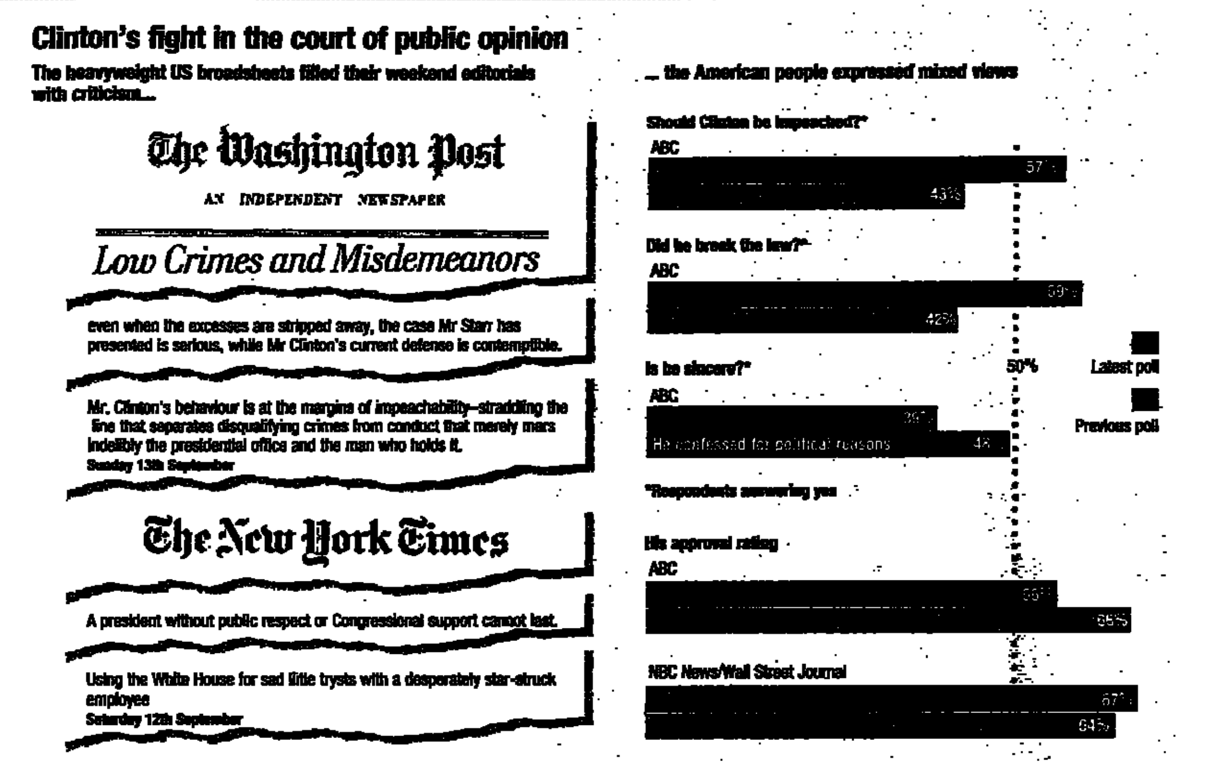
He pointed out that one of last year's most popular films had been called "Liar, Liar".

Mr Clinton chose to make his greatest public admission of guilt to a "prayer breakfast" attended by many priests in Washington on Friday. That seems to be in line with priests' advice yesterday. But he chose not to attend a public church service yesterday.

If he had tuned in to the Frazer Family Hour, he would have heard this comment: "As we hear the president being scandalised across the front pages, do we pray for our president? There's no doubt that he's in a lot of trouble. When we see all sorts of lies being proliferated in our society, do we pray for our society? Do we pray for our culture? Or do we just talk?"

OPINION POLLS CLINTON IMAGE HOLDS UP WELL IN APPROVAL RATING SURVEYS CONDUCTED OVER THE WEEKEND

Americans give mixed judgment



By Adrian Michaels in Washington

The Starr report may have left Americans in such a state of shock that they have not yet decided what to think about the president's position. Bill Clinton held well in the weekend's opinion polls, though data was mixed.

An NBC/Wall Street Journal survey puts his job approval rating at 67 per cent, in fact up 3 percentage points from July. But an ABC poll showed 56 per cent approving of his job performance, down 10 points from last month. Other indicators had well over 60 per cent saying Mr Clinton had damaged the moral authority of the presidency but 58 per cent of the NBC poll said Mr Clinton was fit to remain president and two-thirds said he should serve out the rest of his term.

While analysts caution that polls taken immediately after an event may not pick up shifts in public opinion, US newspapers were also having trouble coming to terms with recent developments.

While many opted for fence-sitting calls for Congress to be bipartisan, others said that it was the public, when it had made up its mind, that would hold sway.

The Los Angeles Times said: "The president will be judged not only by Congress but more immediately in the court of public opinion. And here Bill Clinton is in deep trouble."

One of the strongest lines was taken by the Washington Post, which supported Mr Clinton's campaigns for the White House in 1992 and 1996, and whose investigation into Watergate helped bring down Richard Nixon in 1974. It refrained from comment on its editorial pages on Saturday but yesterday it said the president's behaviour was at the "margins of impeachability".

It added: "Congress has no choice but to initiate an impeachment inquiry exploring seriously both the allegations [in the report] themselves and the threshold standard for the impeachment and removal of a president."

But the paper saved some of its ire for the independent counsel: "Some of Mr Starr's allegations are insufficiently supported. . . Mr Starr's arrogant contention that mounting a vigorous defence against [him] is an impeachable offence is difficult to support. . . Even more arrogant is the aggressive advocacy for impeachment in [the] document."

The Columbus Dispatch in Ohio urged Congress to understand the importance of the hour: "Whatever Congress deems as acceptable conduct will be the standard that applies to all future presidents. Whatever Congress condemns or punishes will constrain all future inhabitants of the White House. But such determinations require high standards of integrity, morality and honesty among those sitting in judgment. On that score, Congress will be on trial as much as the president."

The New York Times took a similar line but urged speed too: "There can be no doubt that the longer the uncertainty surrounding Mr Clinton lasts, the weaker he will be in exercising the duties of his office. . . The decision on impeachment proceedings should be reached before the October recess."

Visitors to the New York Times web site would have had trouble finding this opinion, however. The site was hijacked by internet "terrorists" yesterday morning.

The Arkansas Democrat-Gazette, in Mr Clinton's home town of Little Rock, pointed to a "rush back to the classics" by politicians and commentators searching for gravitas: "We're finding that the best commentators on this farce of a tragedy turn out to have names like Shakespeare, Sophocles, Faulkner, Robert Bolt, Oscar Wilde, F. Scott Fitzgerald, George Orwell, and Robert Penn Warren. It shouldn't surprise. History is not man's only teacher and guide. Literature, too, instructs and, if we'll just pay attention, warns."

WORLD REACTION

'Friend of Israel' wins Netanyahu backing

Benjamin Netanyahu, Israeli prime minister, yesterday predicted a swift end to the Clinton crisis and said he wanted "the best for him".

Speaking on Israeli radio, Mr Netanyahu said Bill Clinton was a friend of Israel and that he wanted the crisis to end quickly to "enable the United States. . . to advance peace in the world, including the Middle East".

But Mr Netanyahu's support belies the less than warm relationship between both leaders. Earlier this year, when Mr Clinton tried to exert pressure on Israel to hand over some of West Bank to the Palestinians, Mr Netanyahu's aides rallied Congress and the Jewish lobby in the US. The message sent by Israel to Washington was clear. If Mr Clinton bullied Mr Netanyahu, the Jewish lobby's support for the Democratic party – and Vice-president Al Gore's nomination for president – could be jeopardised.

Since then, Mr Clinton has taken little interest in the Middle East while Madeleine Albright, US secretary of state, remains frustrated over the lack of White House support for her attempts to break the 18-month deadlock in the Israeli-Palestinian negotiations.

It is hardly surprising then, that Mr Netanyahu wants Mr Clinton to survive. The president could become even more beholden to the Jewish lobby as mid-term elections loom and campaigning for the next presidential elections takes shape. It would leave Mr Netanyahu – and the Palestinians – free of US pressure to arrive at a deal.

But Israeli officials are hedging their bets. They are lobbying Mr Gore and stepping up their campaign to woo Republican support, particularly Newt Gingrich, the House speaker.

Mr Netanyahu has had his own brushes with political and sex scandals. In 1993, as contender for leadership of the Likud party, he appeared on television and admitted to having cheated on his third wife, Sara.

Pakistan

Bill Clinton "deserves to be stoned and that poor girl [Monica Lewinsky], who must have come under a lot of pressure, should be let off. But he's a powerful man so there's probably no punishment for him."

Muhammad Iqbal, a fruit seller on the outskirts of Islamabad, the Pakistani capital, voiced an extreme reaction. But for many Pakistanis who have heard rumours of the financial and sexual exploits of their own politicians, the Clinton saga is an unprecedented example of a powerful leader taken to task. "How can the most powerful president 'do it' and not get away with it?" Mr Iqbal asked.

Gul Hameed Mughul, the manager of a video shop in Rawalpindi, suggested that the Lewinsky affair "was a small-time issue for the Americans. It happens in the US all the time". But Mr Mughul urged President Clinton to do the right thing. "He [Clinton] should marry Monica, but I don't know if he can also keep Hillary. I don't know if Americans can have up to four wives [simultaneously]."

The crisis in the US offers some hope to those concerned about Washington's pressure on Pakistan over Islamabad's nuclear tests in May. "Many in Pakistan are relieved over the crisis in America. With Clinton in such deep trouble, the Americans may not have time to worry about Pakistan, and it's one factor which may help to lift share prices," said a broker on the Karachi stock exchange.

"If he [Clinton] is impeached, that's even better. The crisis may linger on for a while."

France

France has traditionally taken an indulgent view of the sexual peccadillos of its politicians. This is a country, after all, where one president – Félix Faure – reputedly died making love to his mistress and another – François Mitterrand – had an illegitimate daughter.

This does much to explain the mixture of stunned amazement and deep concern with which the country is watching the travails of Mr Clinton. More than one newspaper editorial has referred to a new form of sexual McCarthyism. Le Monde, the voice of the left-of-centre establishment, referred at the weekend to "a terrifying moral order where sex is never far from sin, where sexual relations, even between consenting adults, is always something terrible".

But the French political classes have other reasons for viewing the humbling of Mr Clinton by his country's judiciary with some unease. French judges have themselves been growing increasingly combative, as demonstrated by last month's placing under formal investigation of Alain Juppé, a former prime minister.

The alleged misdemeanours, related to a judicial probe into the funding of the centre-right RPR party, are of an entirely different nature. But French politicians may fear that the success of Kenneth Starr, the independent counsel, in severely weakening the Clinton presidency could encourage French counterparts.

Of more immediate concern to the French government might be the effect that possible stock market volatility engendered by Mr Clinton's problems could have on plans to float more state assets.

Russia

President Clinton is not guilty, according to Russians. On the streets of Moscow communists, democrats and ultra-nationalists, who can rarely agree on anything, yesterday spoke with one voice.

Anna Ivanova, 72, said: "It is all old wives' tales about Clinton. Who cares anyway whether he slept with anyone or not. What is bad is that they are showing all this on the television."

Russians are pre-occupied with their own political and economic crisis and have shown little interest in Mr Clinton's personal affairs. Newspapers on Saturday practically ignored the story.

Reporting by Judy Dempsey in Jerusalem, Farhan Bokhari in Islamabad, David Owen in Paris and Arkady Ostrovsky in Moscow

TOKYO NOTHING MORE THAN 'A TYPICAL ROMANCE'

Japanese puzzled over threat to presidency

By Michiyo Nakamoto in Tokyo

Many Japanese have watched the unfolding events in the US with disbelief. In Japan, where it is virtually taken for granted that older men of power and influence are likely to have extra-marital affairs, it is not so much Bill Clinton's misconduct as the possibility that he may have to step down as a result, that has raised eyebrows.

The Japanese media have covered the latest developments in considerable detail, including the most shocking elements contained in the Starr report.

The Yomiuri Shimbun, the most widely circulated national daily, ran the story as its front-page splash in its Saturday evening paper and then devoted a full page and a half inside to further details. Even the generally staid Nikkei business daily carried the story on the front page of its Saturday evening edition.

The Yomiuri said that while the White House setting was unusual, the affair was nothing more than "a typical romance between a middle-aged man with wife and child and a young, innocent woman".

The liberal Asahi Shimbun, a mass-circulation national daily, wondered in its editorial how Americans felt as they watched the news of the president's affair at home in their living rooms.

Even for one of Japan's most progressive newspapers, the revelations in the Starr report, many of which it dutifully printed, came across as "graphic" and "frightening".

Some commentators felt the need to explain that the US is a country where many people go to church on Sundays and have strict views about sex.

On the whole, the consensus is that Mr Clinton is paying the price of demeaning the office of the president by lying about a petty act. The fact he had an extra-marital affair is not considered a sin so awful that it should undermine the head of the world's greatest superpower.

Japanese politicians have had their fair share of sex scandals. Sosuke Uno, a former prime minister, was widely ridiculed in the press for his affair with a geisha. But his greatest sin to the Japanese public was not that he had had the affair, but that he had not paid the woman a sufficient amount for it.

Former prime minister Ryutaro Hashimoto had also been plagued by rumours of affairs, even before he became national leader.

The weekly magazines and tabloid press entertained their readers with all manner of speculation regarding Mr Hashimoto's extra-marital activities but that was not true of the national dailies, which generally consider such scandal beneath them.

BONN KOHL STRESSES NEED FOR EFFECTIVE LEADERSHIP

Superpower 'should carry out its duties'

By Peter Norman in Bonn

Helmut Kohl, the German chancellor, yesterday expressed the wish that what he called "the turbulences in Washington" would finish as soon as possible so that the president would again be fully able to govern.

Without mentioning Bill Clinton by name, the chancellor told yesterday's Bild am Sonntag newspaper that it was "of the greatest importance" that the world's only superpower should be able to carry out its duties. "Asia, Africa, India – there are problems everywhere," the chancellor said.

In an earlier interview, with RTL television, Mr Kohl said he could only "shake my head" at threats to impeach Mr Clinton. "You can have different opinions," the chancellor said, "but the real problems are being pushed into the background".

In a country where the media refrain from probing the sexual activities of domestic politicians, Germany's weekend press devoted considerable space to the Starr report and speculation about the inner workings of the Clinton marriage.

Several newspapers, including the influential Frankfurter Allgemeine Zeitung (FAZ), commented that Mr Clinton should resign.

"The reputation of this president is so badly damaged that he will have no power to shape events as long as he remains in office," the conservative FAZ wrote. "That may be good for his political opponents. For America it is bad. Therefore a voluntary resignation would be the best service that Clinton could perform for his country and the office of president."

While arguing that a "philanderer is not a suitable occupant for the White House", the FAZ had particularly harsh words for the process that plunged Mr Clinton into crisis.

"One must conclude that investigations in which details of sexual organs and of sexual practices are discussed in public are perverse. This [process] not only offends against good taste, it wounds the human dignity of those affected – also when presidents are involved," it said.

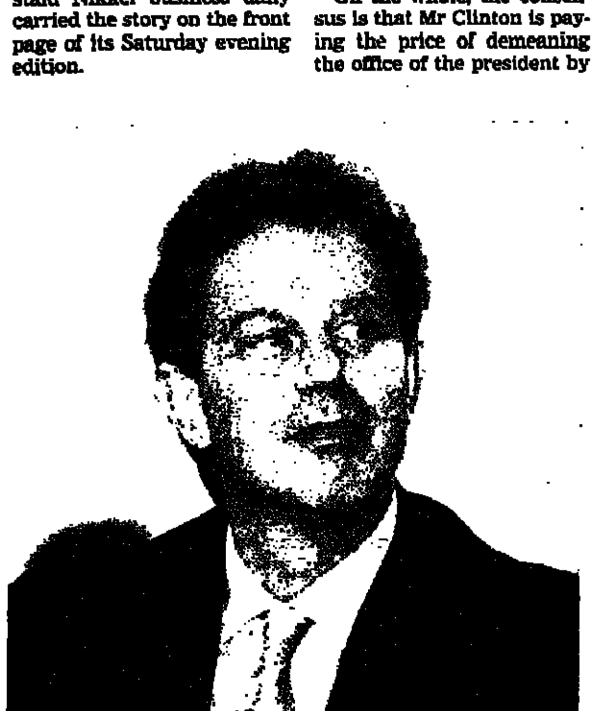
The FAZ argued that a legal evaluation of President Clinton's actions and a moral judgment of his person would have been possible without going into the most intimate details.

"America cannot claim after this affair to be a state with a perfect rule of law," the FAZ added.

"The public undressing of a human being – irrespective of who or what he is – is not justice. It is a punishment which has been scrapped in states under the rule of law: it used to be called the pillory."

LONDON UK PREMIER'S REACTION IN KEEPING WITH HIS PROMOTION OF SPECIAL RELATIONSHIP WITH US

Blair quick to offer support for close ally



Tony Blair: Foreign Office has grown restive

By Andrew Parker, Political Correspondent

Tony Blair, the British prime minister, reaffirmed his strong support for Bill Clinton last night, maintaining that the Starr report was a matter for the US Congress and the American people.

Mr Blair telephoned the US president late on Friday, ostensibly to discuss Northern Ireland and Russia. But there can be little doubt that the underlying reason was to offer some private support for one of his closest political allies on the world stage.

Downing Street believes that, given Mr Blair's squeaky-clean image, there is little risk in him backing a US president who by his own admission has "sinned".

"Mr Clinton hasn't got the plague," one Downing Street official said sardonically. Or as David Blunkett, UK education secretary, said yesterday: "I don't think world leaders actually go around judging each other's morals and if they did over the last century we'd have been in a very sorry state."

Since the Labour party won the general election in May last year, Mr Blair has gone out of his way to promote the "special relationship" between Britain and the US.

His preoccupation with it is reminiscent of Margaret Thatcher, the former Conservative prime minister, who forged a strong alliance with Ronald Reagan at the height of the cold war.

However, the Foreign Office has grown increasingly restive with Mr Blair's effusive support for Mr Clinton. Misgivings reached a peak over Mr Blair's swift and resounding endorsement of the US military attacks on Afghanistan and Sudan last month.

One member of the government contrasted this with the working relationship between Robin Cook, UK foreign secretary, and Madeleine Albright, his US opposite number.

"There are times when there is a divergence of views, which is less easy to see between Clinton and Blair. They seem more naturally inclined to agree, even on the wrong agenda."

This concern is shared by a section of the UK population, as well as by many Labour MPs. When Mr Blair last conducted a question and answer session with voters, he was berated for supporting the US missile strikes. "That was a specific policy area where the public did feel that Blair had got it wrong," the government member said.

Last week the Sun, the tabloid newspaper whose support Labour's spin doctors value most, urged Mr Blair to avoid "embarrassment" by not going to a conference in New York later this month which Mr Clinton will also attend.

Mr Blair is not heeding the Sun's advice. Downing Street implied that the prime minister felt a strong sense of loyalty to Mr Clinton, not least because of his assistance with the Northern Ireland peace process. "When Mr Clinton has been asked to deliver, he has delivered," a Downing Street official said.

Donald Anderson, Labour chairman of the Commons foreign affairs select committee, said Mr Blair was right not to "ditch" Mr Clinton immediately, but that future events could well prompt a reappraisal.

"If the perception is that power is ebbing away at Washington it would be unwise to be as close as he is now.

"There may come a time when if things move so badly in Washington, and more particularly that the world leadership role will be impossible because of the domestic concerns of the next six months, then it may be prudent to move a couple of steps aside."

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'Friend of Israel' wins Netanyahu backing

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Cheaper European share dealing move

By Christopher Brown-Humes in London

Plans for a pan-European share settlement network that will make it cheaper for UK investors to deal in European shares will be unveiled today by CrestCo, operator of the Crest electronic settlement system for the London market.

It aims to cut the cost of settling European trades within Crest to the same level as for UK business.

The priority is to develop links with settlement systems giving access to Eurotop 300 securities.

The first step will see CrestCo linking with Sega, the main settlement system for the Swiss market, to take effect in the third quarter of 1999. A similar accord with Deutsche Börse Clearing in Germany – complementing the recent alliance between the London and Frankfurt stock exchanges – is being discussed.

Iain Saville, CrestCo chief executive, said: "The links which CrestCo is now building will help make European shares more affordable for the British man in the street. It will make it as easy to settle Nestlé as it is to settle Glaxo."

At present, brokers and fund managers could face settlement costs of more than £20 ($33) when buying or selling Swiss shares because they have to work through various custodians and sub-custodians. The charge is passed on to individual investors as part of the commission they pay.

Under the new scheme, the settlement charge could fall to as little as 60p – a substantial saving to the intermediary, which CrestCo hopes will be passed on.

The lower costs will make it much more attractive for British retail investors to buy and sell European shares, Crest believes.

The broader objective is for commission costs on European trades via UK brokers to fall to the same level as commission on UK trades over time.

"This is very much linked to the alliance between the London Stock Exchange and Deutsche Börse, which aims to create a pan-European trading platform that reduces trading and transaction costs. We are hoping to cut settlement costs, too," Crest said.

It said its initiative was in line with a drive by the European Central Depositories Association to develop a common framework for links between European settlement systems.

It is also forms part of CrestCo's plans to broaden the range of instruments it settles beyond UK and Irish corporate securities.

The UK bill for sorting out the millennium bomb is £20bn and rising because many companies are falling behind with their efforts to tackle the problem, a survey has found. Only £5bn has been spent on the problem so far, according to OSI, a leading management support company.

"Many companies are going the miss the crucial deadline," warned Malcolm Pumphrey, senior OSI consultant and former head of the Post Office's Year 2000 project. "With about three-quarters of the budget still to be spent in only two years, there is still a huge amount of work to be done," he added.

SINGLE CURRENCY ELECTRICAL ENGINEER PLANS TOUGH EUROPHILE POLICY

Company may force suppliers to use euro

By Peter Marsh in London

A UK subsidiary of Emerson Electric of the US, one of the world's biggest electrical engineering companies, is planning to persuade most of its British suppliers to use the euro from next year or risk losing the company's business.

Control Techniques, which buys about £15m ($25m) of parts annually from about 200 UK suppliers, will start its policy on January 1, when the euro is formally introduced in much of continental Europe.

The decision underlines the changes that may lie ahead for many UK companies once the common currency is introduced, even with the UK government's decision to stay outside the "euro-zone" at least for the duration of the current parliament.

Control Techniques, which this year expects sales of £160m, 85 per cent of this outside the UK, is being more aggressive in its planned use of the euro than most other UK companies.

British Steel, Imperial Chemical Industries and the UK division of Siemens, the German electrical goods company, say they will encourage UK suppliers to accept euros but without any element of compulsion.

But Control Techniques, which employs 600 people in its main factory in Newtown, Powys, Wales, out of a worldwide workforce of 1,850, plans to go significantly further. It says it will be "pro-active" in persuading its UK suppliers that accepting euros will be in their own interests.

"We will start by encouraging them [suppliers] to use the euro and we will probably end up insisting," said Willy Vandormael, Control Techniques' finance director. Pierre-Emmanuel Sarre, the company's president, said suppliers would be advised that accepting euros would give them "a competitive advantage".

David Creed, director-general of the Association of Corporate Treasurers, said he had not heard of many companies following Control Techniques' approach, but that use of the euro in the UK would probably snowball once it was introduced on mainland Europe.

Willy Vandormael (left) and Pierre-Emmanuel Sarre will promote the euro to suppliers Ashley Ashwood

Control Techniques is one of the world's biggest suppliers of industrial drives, used in machinery from lifts to chocolate packaging equipment. It has more than half its sales in continental Europe, where industrial companies are expected to turn over quickly to using the euro once it becomes available for business accounting in January.

Because the company expects to be receiving euros from many of its customers from next year, it argues that to minimise currency risks many of its suppliers should also use the new units.

About half Control Techniques' annual purchases of parts and materials come from the UK.

Mr Sarre, who is French, and Mr Vandormael, who is Belgian, are both long-term Emerson employees and euro enthusiasts. From the beginning of next year, the pay of all Control Techniques' 600 UK employees will be denominated in their payslips not just in sterling but in euros.

Both executives are hoping Britain will make a quick decision to join the single currency rather than staying on the outside.

No extra cash for N Ireland job loss payouts

By David Wighton, Political Correspondent

Mo Mowlam, the Northern Ireland secretary, has been told by the UK Treasury it will not fund improved redundancy terms for prison officers who lose their jobs because of the peace process.

Stephen Byers, the Treasury chief secretary, has warned Ms Mowlam that she will have to find the extra money from within the Northern Ireland Office's existing budget.

The decision comes amid concern at the effect large-scale redundancies in the Prison Service and the Royal Ulster Constabulary could have on morale in the Protestant community, from which most of their staff are drawn. Prison Service officials have forecast that up to 1,000 officers could lose their jobs over the next two years as a result of the prisoner release programme, part of the Good Friday agreement.

Last week saw the first releases of paramilitary prisoners under the agreement with three members of the Ulster Defence Association and three IRA inmates walking free from the Maze prison outside Belfast.

About 250 terrorists are due for release in the next year and a further 150 by July 2000, after which the Maze could face closure.

The government is under pressure to ensure that redundant prison officers receive generous redundancy terms and are not seen to be paying the price of peace while terrorists enjoy the benefits.

Last week also witnessed the historic meeting between David Trimble, the Ulster Unionist leader and Northern Ireland first minister, and Gerry Adams, the Sinn Féin leader.

Government ministers hope the success of the "workmanlike" meeting will set the tone for today's session of the Northern Ireland assembly, where Mr Trimble and Seamus Mallon, the deputy first minister and deputy leader of the moderate nationalist SDLP, will start the delicate task of implementing the accord.

The first problem is how to put together the shadow Northern Ireland executive, with Mr Trimble insisting his party will not sit down with Sinn Féin without the decommissioning of IRA weapons.

In July, Ms Mowlam asked the Treasury for extra money to improve the terms to be offered to prison officers for redundancies at the Maze prison. These could have resulted in some officers receiving payments of up to £100,000 ($165,000), according to people close to the negotiations.

But the Treasury resisted the move, which would have meant reopening the government's comprehensive spending review, concluded only weeks before. Ministers feared other departments

Banks ban accounts that penalise savers

By Christopher Brown-Humes

Banks will today announce plans to ban accounts that penalise loyal savers while offering more attractive interest rates to new customers, as part of a sweeping overhaul of their code of conduct.

They will also pledge better notification of interest rate changes, including longer notice periods so that customers can switch accounts, while giving new savers a two week cooling-off period to change their minds. The costs of increased notification charges, additional interest payments and systems changes could run to tens of millions of pounds.

The changes, agreed under the auspices of the British Bankers' Association, follow criticism of banks and building societies – mutually owed savings and loans institutions – for operating "obsolete" accounts and failing to give adequate notice of interest rate changes. They will be welcomed by the Treasury and organisations such as the Consumers' Association that have campaigned for reform.

The main change will require banks to apply the same interest rate to obsolete accounts as to similar newer accounts. This will prevent them from launching new savings accounts with attractive headline grabbing rates, while paying existing savers in similar accounts much poorer rates – an easy way to widen margins. The code will also force banks to:

- Publish details of changes to branch-based accounts within three days through newspapers, the telephone and internet. Customers with non branch-based accounts must be notified personally within 30 days.
- Give customers at least 30 days' notice when an account is changed, closed or charges increased. The period rises to 60 days where the change is clearly not in customers' favour. This is to enable them to cancel or switch without penalty.
- Give customers who want it a full explanation of how interest is calculated.
- Offer a 14-day cooling off period on new savings accounts when customers can switch to another account or get their money back with interest.

The revised code will take effect from March 31 1999 – allowing time for systems to be changed. After this date, there are plans to name and shame organisations that fail to comply. The code is a voluntary scheme that all the main banks and building societies sign up to.

Tim Sweeney, director-general of the British Bankers' Association, said: "The revised code deals vigorously with concerns raised by the Treasury and others to make sure that customers receive full information and are not abandoned in uncom-

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INSIDE TRACK

LUCY KELLAWAY

At last, a few home truths about work

Empowered, nurtured and cherished. For twentysomethings, this is what happens at work. Or so they are being led to believe

Last week the Financial Times published a great truth about management: all jobs are sometimes boring. That may sound a little, well, obvious to you, but it has never occurred to the generation of spoilt twentysomethings who have landed some of the plummiest jobs around.

Last Wednesday, John Hunt, from the London Business School, took it upon himself to tell this disaffected generation a few home truths about work. Even the most sought-after jobs are sometimes frustrating; sometimes unsatisfying; and almost always repetitive, he warned. Employers don't want all of you, but just a part: going to work will inevitably mean leaving some of you at the door.

What is most remarkable about this is that it should need saying at all. We grown ups know better: we know that we are lucky if our jobs are good some of the time. But people in their twenties have ludicrous expectations when it comes to work and it is not hard to see why. For every Professor Hunt talking sense there are a thousand employers talking rubbish. Listen to companies telling recruits they will be empowered, cherished, and stretched; and that their creativity will be nurtured and work will be fun! fun! fun! Eventually, high-flying graduates start to believe all this, only to feel let down when reality kicks in.

The creation of these silly expectations and the subsequent disillusionment is in nobody's interest.

But it is hard to see how companies can tone down their promises while their competitors are still spouting such nonsense.

Suppose an employer advertised a job as mundane as well as glamorous, dull as well as exciting, and frustrating as well as satisfying? Would you be interested? I would, but then that is because I am old and grumpy enough to recognise that any company that speaks the truth is a rare and precious thing.

'Graduates start to believe all this, only to feel let down when reality kicks in'

***

Still on the subject of the disaffected twenty-somethings, I have just found out what they are doing as they sit at their desks feeling hard done by. They are sending their bored, high-flying friends in other companies jokes by e-mail. This has become very big. Every morning they are greeted by a list of gags sent out on general distribution from all their mates. They then send these jokes on to ever wider networks. Maybe this sheds some light on why they are all so fed up – there is nothing like a forced diet of jokes to make one feel thoroughly out of sorts.

***

Martin Skinner looks the dead spit of Tony Blair. We first meet him getting out of a car and hurrying along a corridor to work. "I give it 110 per cent effort and I expect my staff to do the same," he says.

Then we see him giving his staff a bollocking, followed by a cut-away shot of him saying to camera: "I'm harsh but I'm fair." Later, after more bollocking, he confesses to the camera: "My bark's a bit worse than my bite." Later, he is to be seen on a lawn outside a big house smugly talking about the benefits of ambition.

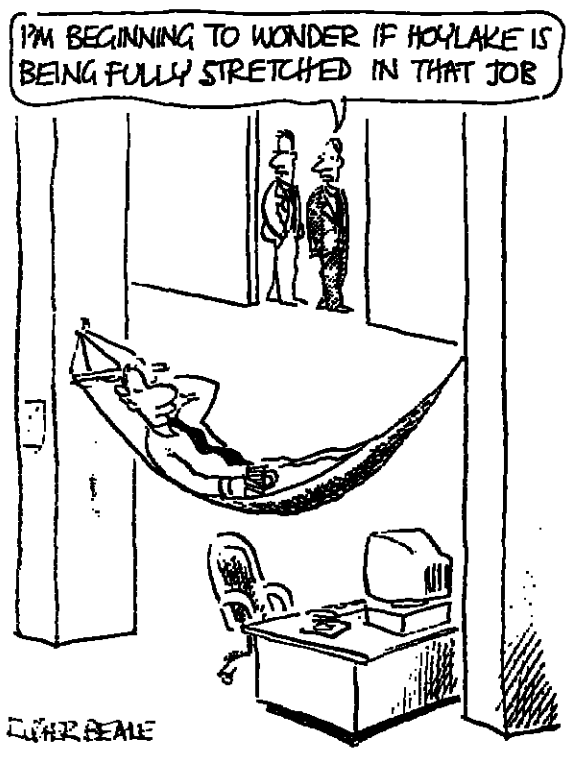
Mr Skinner is the star of a peculiar ad campaign from the UK's Treasury designed to make small businesses find out something about economic and monetary union in Europe. He is a kind of Basil Fawlty of the business world, but subtler, funnier.

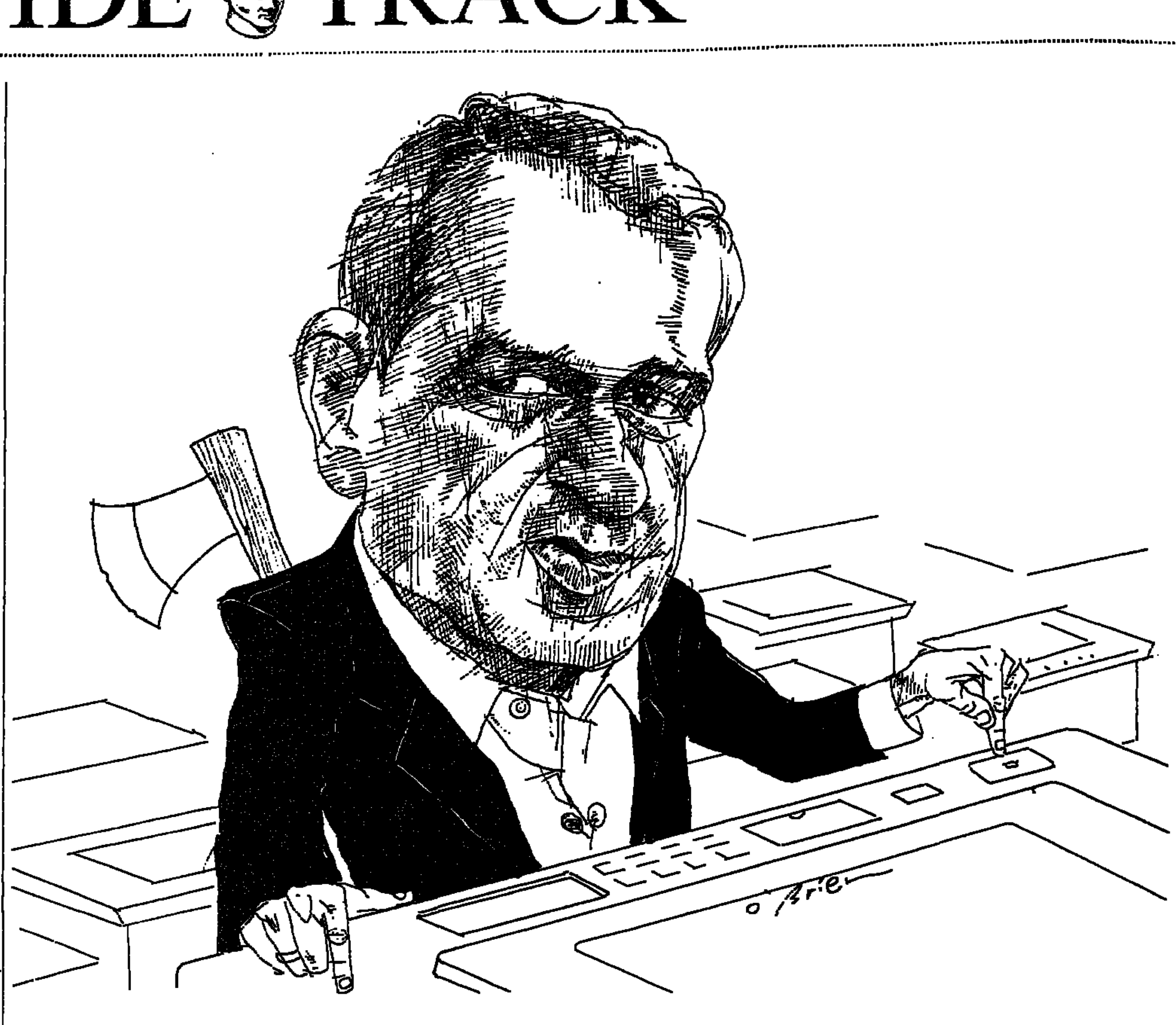
When I phoned the Treasury to talk about the advertisements I was distressed to discover that this character was not meant to be funny at all. Indeed, the Treasury went to the trouble of getting real live small business people in to watch the tapes before releasing them. Apparently they all agreed that Mr Skinner was spot on. In that case ignorance of Emu may not be the most serious of their problems after all.

***

A well-known company recently gave every one of its employees a little bundle of shares. To proclaim this, and to give them all a warm glow as they arrived at work, it erected a big board in reception saying "Good morning! Today your shares are worth \$100!" By the next day the sign had been changed to "Good morning! Today your shares are worth \$97!". By the fourth day the price read \$82 and by the fifth day the sign had mysteriously been taken away altogether.

Making employees into owners may seem a grand idea when the market is going up. But when it is going down the fine talk about making staff feel a motivated, valued part of the decision-making process starts to look a little threadbare. Given the choice, I expect they'd rather have had cash.





INTERVIEW RICK THOMAN, PRESIDENT, XEROX

Achieving a sharper focus

Richard Waters talks to the man, labelled aggressive by many, who has brought a new, harder edge to the management of Xerox

If you wanted a place at the heart of the information revolution, would you select a maker of photocopiers as your vehicle? Rick Thoman, a former lieutenant of International Business Machines boss Lou Gerstner, made that choice a year ago when he jumped ship to put himself in line for the top job at Xerox.

Its name synonymous with an earlier era of office machinery, Xerox might seem increasingly irrelevant in the age of computer networks. There was certainly a danger that it would get left on the fringe of the information revolution, says Mr Thoman.

"It was clear to me that in a digital world you simply can't grow at 5 per cent [a year] – at some point you become strategically irrelevant," he says. That could easily have happened to Xerox. Its growth rate ranked a lowly 47 among the top 50 information technology firms as recently as two years ago: only Apple and Digital Equipment did worse.

The change since then has been dramatic. A new generation of machines, which act both as copiers and printers, has lifted Xerox's growth rate above 10 per cent since this time last year, leaving aside the impact of the rising dollar. And Xerox has attracted a powerful fan club on Wall Street. "They are beating the Japanese hands down," says Alex Henderson, an analyst at Prudential Securities.

The man most responsible for this is not Mr Thoman, but Paul Allaire, the company's chairman. His decision to push Xerox into the digital age laid the foundation for Xerox's new burst of growth. "To Paul's credit, he has been right," says Mr Thoman, adding that it would have been easy for Xerox to remain wedded to its old technology – a failing he attributes to the struggling Motorola.

But while the aloof Mr Allaire set Xerox on its new path, the more direct Mr Thoman has brought an extra sense of urgency to the transition. And he is standing in line to inherit the benefits from the new direction.

Mr Thoman has introduced a new, harder edge to Xerox management. Ask almost anyone who has worked close to him and the same word crops up: he is "aggressive", whether in attacking the company's overhead costs or using the courts to defend its patents.

It is a description that Mr Thoman willingly embraces. "You never win by being passive," he says. "If you want to play, you play aggressively; if you don't want to play, you pick up your marbles and get out of the business."

That tougher attitude has shown itself in a number of ways during the past year. One of several initiatives Mr Thoman carried over from his days at IBM was a more aggressive approach to defending Xerox's intellectual property rights.

The number of new patents filed by the company last year was topped only by IBM, Motorola and Eastman Kodak, he says. Yet Xerox had no procedure for tearing apart and examining competitors' products and no legal staff charged with pursuing patent infringements. It now has both – and has won its first actions, against Hewlett Packard, the maker of desktop printers that is now clearly Xerox's main competitor.

"We weren't targeting HP – it just turned out we thought they were contravening our patents," Mr Thoman says. "There will be others. This is not a holy war aimed at competitors."

The new president's hand was also apparent in Xerox's announcement this spring that it would cut 9,000 workers – even though growth, and profits, were accelerating. Compared with the forced downsizings at some troubled companies, the decision was seen on Wall Street as a show of strength.

It was an attempt to propel Xerox headlong into a world dominated by younger, faster-moving technology companies with far leaner cost structures than the buttoned-down photocopier company.

"It was Rick, for sure," Pierre Danon, head of Xerox in Europe, says of the restructuring.

"Everything is shared between Paul [Allaire] and Rick – but he came in and led the execution."

'All companies in the digital world have to change. There has to be a great sense of urgency'

That tough edge was displayed fully at IBM, where Mr Thoman established a reputation as a cost-cutter while in charge of the company's personal computer business. But he is clearly eager to shed the image of hatchet man – and to move out from the shadow of Mr Gerstner.

"I'm a builder of businesses," he says.

So far, at Xerox, that has meant hiring more sales staff and increasing spending on advertising, which has doubled in the past year. "We were locked into low-growth markets; our distribution was incomplete; we probably hadn't projected our image as strongly as we might [have]," the new president says.

To make up for some of those weaknesses, Xerox recently made its first acquisition in many years, adding 1,500 computer services staff to its 6,000-strong service force.

Similar acquisitions may eventually follow, Mr Thoman says, as the traditional photocopier repair man gives way to a new breed of service technicians. Actions like these are "allowing us to break out of our growth trap", he says.

The new president also claims to have brought a sharper sense of marketing to Xerox. Technology, product development, sales and service – these are all things that Xerox has always understood, says Mr Thoman. What it has not been good at, though, is "creating images in people's minds that they've never seen. I think I have helped them do that."

Meanwhile, the pressures to become faster and leaner are likely to intensify, as the battle with companies such as HP heats up.

"I always worry that we're not doing things fast enough," says Mr Thoman. He adds that Xerox's general and administrative costs should probably be half the 12 per cent of revenues that they represent just now.

Such observations suggest that the overhaul of the traditionally staid Xerox culture still has a long way to go.

"All companies in the digital world have to change," Mr Thoman says. "There has to be a great sense of urgency."

His self-declared motto is: "Above all, be active."

The new president's time has not yet come. Mr Allaire's recent successes have left the Xerox chairman securely in the driving seat until after his 60th birthday next summer. He is likely to hand over the reins of power at about the turn of the decade, a timetable that Mr Thoman says was always the plan.

For now, outsiders expect the new president to keep turning up the pressure for change, while keeping his head down. "He's not going to step on any toes until he gets the job," says another Wall Street analyst.

Of the eventual succession, Mr Thoman says: "Things are going very well and I'm still learning about the business, so there's no particular reason to accelerate it" – before adding quickly – "or decelerate it".

Essential Guide : Rick Thoman

Entwined careers:
It is not difficult to see why the board of Xerox, casting around for an outsider to help propel the company into the digital age, alighted on Rick Thoman.

And it is not difficult to see why Mr Thoman abandoned IBM and a long-standing work relationship with Lou Gerstner to take the chance of running one of the best-known US multinationals.

Mr Thoman, 53, was hired by Mr Gerstner, then the head of McKinsey's Paris office, straight from Tufts University in the early 1970s, after completing a PhD in international economics.

The careers of the two men were closely entwined for the next 25 years, before the call came from Xerox.

Building businesses:
Their first stop was American Express, where Mr Thoman ran the group's international operations. That was all about creating a new business, he says, an episode that depended heavily on marketing.

Next came Nabisco, where Mr Thoman once again found himself trying to build an international business, this time through acquisitions.

Then wielding the axe:
The Xerox president says his first big job at IBM – in charge of the company's PC division – was also meant to be about building a business.

It did not turn out that way. Instead, Mr Gerstner's protégé found himself hacking away at costs to salvage one of Big Blue's most troubled operations.

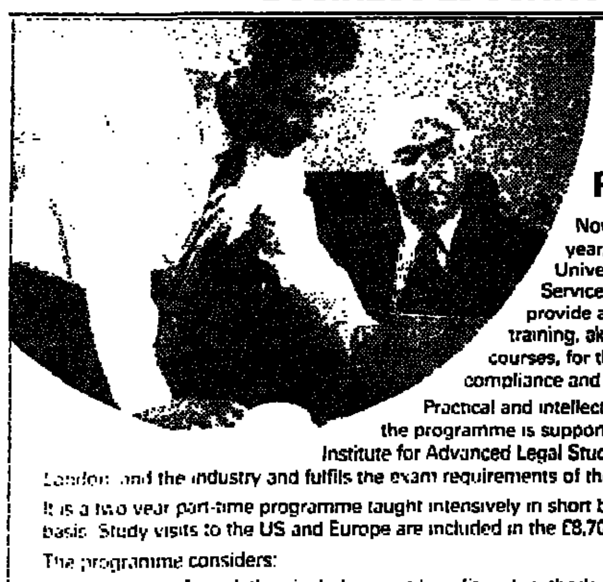
Wall St fans:
His reward was the position of IBM's chief financial officer. It was a platform from which Mr Thoman succeeded in developing a loyal fan club on Wall Street, which continues to this day.

But since joining Xerox, says one analyst, he has retreated into the background, getting to grips with the company's operations and biding his time before Mr Allaire, Xerox chairman, eventually retires.

Mr Gerstner and Mr Thoman parted on good terms, but there seemed little hope of Mr Thoman succeeding Mr Gerstner, only three years his senior, if he wanted to run a public company himself.

Outside work:
Mr Thoman has never lost his love of France. He claims to have been fluent in French, and owns a house on the Mediterranean coast.

BUSINESS EDUCATION



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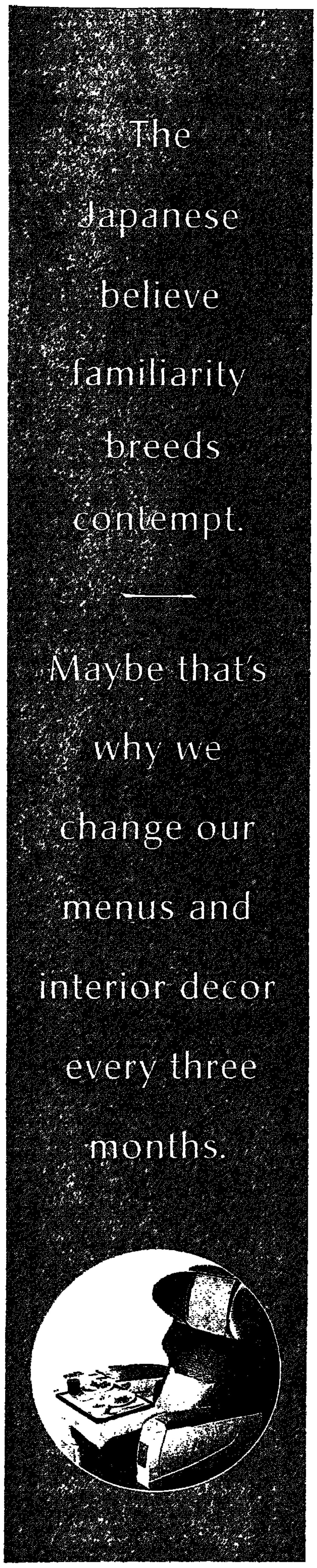

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TECHNOLOGY BIOMINING

Bugs that are big in mining

Sara Abdulla finds a way to get at metal deposits that normal processes cannot reach

Some people like living life at the extreme and the same goes for bacteria. There is a small group that not only survive, but thrive at the kind of acidity levels that help some ghoulish murderers do away with their victims' bodies.

Some of these so-called "extremophiles" are all too familiar thanks to the havoc that they can wreak in our bodies: *E.coli* cause diarrhoea, kidney failure and even death, *Streptococcus mutans* rot our teeth and *Helicobacter pylori* play a big part in stomach ulcers.

But they are probably not the first things that spring to mind when you look at a wedding ring. These days, however, acid-loving microbes may very well have helped to mine the gold from which it was made. Indeed, by being greener, cheaper to set up and simpler to run than conventional processes such as pressure roasting and smelting, bacterial metal extraction techniques are revolutionising mining. And not only of gold, but also of uranium, aluminium, copper, zinc, nickel and cobalt.

There are two main biomining or "biohydrometallurgical" processes: bioleaching and bio-oxidation. Both rely on the fact that, at very high acidity levels (pH 1-2) and moderate temperatures (35-55°C), some bacteria (principally *Thiobacillus ferrooxidans* and *Leptospirillum ferrooxidans*) can metabolise – literally eat away – the unwanted iron and sulphide minerals in which many metals are embedded. Bioleaching is mainly used on remote or low-percentage copper deposits. In the presence of acid, bacteria – that either occur naturally within the ore, or are added to it – free up base metals' ions that then dissolve into the liquid part of the ore/bacteria/acid suspension. The metal is then gathered by electrolysis.

Bio-oxidation, on the other hand, is a sort of priming technique used on difficult, so-called "refractory sulphidic" gold ores. Similar bacteria to those employed in bioleaching are added to crushed ore to crack open the stubborn mineral cages that entrap microscopic particles of precious metals. The resulting solid is then far more amenable to conventional extraction substances such as cyanide solution.

Although the use of bacteria for metal extraction was first mooted in academic circles almost 30 years ago, the conservative mining community has long been sceptical. "People thought bacteria were delicate creatures that would have to be treated with kid gloves," explains Corale Brierley, a world-renowned consultant on bioleaching and bio-oxidation based in Colorado.

But during the past five years, biomining has taken off because most of the planet's remaining metal reserves are in many ways intractable to traditional mining technology. Until 1994, up to 30 per cent of gold deposits, for example, were considered too small; too inaccessible, either geographically or chemically; too low grade (for example, one gramme of gold per tonne of ore), or too 'dirty' (high in toxic minerals like arsenic or bismuth) to be processed in an economically viable or environmentally acceptable way.

'Fifteen years down the line this technology could completely replace smelting as the major way of treating copper minerals'

Then a group of Australian venture capitalists, now called BacTech, established the world's first full-scale commercial bio-oxidation goldmine – the Youanmi mine in western Australia. Now there are at least six (in South Africa, Ghana, Brazil, the US and Australia). More than 10 copper bioleaching sites exist worldwide (mostly in Australia and Chile but also in Cyprus and Mongolia), and big mining players such as Billiton, Newmont, Noranda and Mintek are investing "aggressively" in bacterial research.

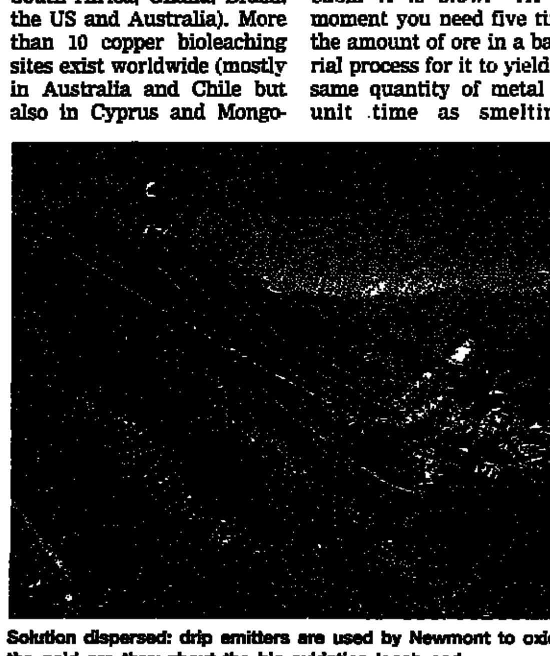
Causing a stir: mining company Newmont uses naturally occurring bacteria, grown in tanks, in its bio-oxidation process at Nevada

"Resistance is beginning to wane," notes Dr Brierley, "because of the desire to clean up our 'dirty industry image' and because people have realised that these bacteria are not only robust but potentially worth billions."

Chris Bonney, senior research co-ordinator of the Mineral Industry Research Organisation (Miro) agrees. "If we can really crack this technology, the returns will unwanted be astronomical," he says. To this end, Miro is managing a three-year, Ecu2.45m ($2.67m) European Union research project on high temperature bacterial leaching of chalcopyrites (a copper, iron and sulphur mineral), drawing together European university and industry expertise.

"Already, bacterial leaching is responsible for 3 per cent of the world's copper," adds Dr Bonney. "Fifteen or 20 years down the line it could completely replace smelting as the major way of treating copper minerals."

Biomining does, however, have one important drawback: it is slow. "At the moment you need five times the amount of ore in a bacterial process for it to yield the same quantity of metal per unit time as smelting," explains John Gingerich, director of research and technical innovation at Noranda Mining and Exploration. This means that operating costs are about the same, although Dr Gingerich concedes that this "is partly because the technology hasn't yet had a degree of investment that would optimise it".



Solution dispersed: drip emitters are used by Newmont to oxidise the gold ore throughout the bio-oxidation leach pad

Not much is known about the fundamental microbiology of bio-oxidation and bioleaching. "If we understood them rather better," says Robert Poole*, of the Krebs Institute for Biomolecular Research in Sheffield, "it might be possible to enhance the processes via the chemistry of the mixes."

So are the glitches in biomining going to be solved with a wave of the genetic engineering wand? Poole thinks not. "At the moment the gap between the science and the reality of improving the process is huge. But even if you could genetically modify *thiobacilli* with smart molecular biology, it is unlikely it would actually be feasible, or profitable, to introduce them into such low-tech, large scale processes."

Nonetheless, research into the chemistry and biology of microbial mining is forging ahead. Jack Barratt, a biochemist who was one of the early gold bio-oxidation pioneers, says this is because, "in many ways, it is ideal".

"It salvages metal from waste dumps, it harnesses trace elements such as zinc and copper in gold ores that would otherwise be lost and it packages toxic waste products, like arsenic and bismuth, into stable solids (like ferric arsenate) that can be buried rather than belched out into the air." Not bad for a batch of sour bugs.

**Prof Poole chaired a recent extremophiles conference at the foundation, proceedings from which will be published by John Wiley and Sons, Chichester, UK, next February. Sara Abdulla is science writer in residence at the Novartis Foundation, London.*

TIM JACKSON
ON THE WEB

Publish and be scanned

Screens rather than pages hold the best prospects for new writers, according to Online Originals

Most people think selling books online means *Amazon.com*. But to David Gettman, a former writer and communications consultant, it means shipping the book itself to the customer electronically rather than on paper.

Online Originals, a business that Mr Gettman founded with philosophy professor David Macann in 1997, is doing exactly that. Its web site (*www.onlineoriginals.com*) offers 33 titles for sale, fiction and non-fiction.

The site is surprisingly low-tech. To order a book, you type your credit card details into a secure online form, agreeing to pay £4 for each book ordered. The form is forwarded to Mr Gettman by e-mail. Each day, he dials into the internet, downloads the orders to his PC, keys the credit-card numbers into a standard retail machine connected to Barclays Bank, and sends out the "books" as e-mail attachments in Adobe Acrobat format.

Online Originals was set up partly in protest against what the founders viewed as the rapacity of commercial publishers, who they believe are no longer willing to take risks with new writers.

Evidence of this feeling can be seen in a book written by Mr Gettman himself which is sold on the site. Called *The Twinkle Theory*, it advances the whimsical view that the temperament of men dictates the sex of their children: macho men, it argues, have girls; sensitive men, boys.

But in the most gentlemanly and self-consciously amateur way, Online Originals also seems to be thriving as a business. Mr Gettman, who is based in the UK, reports that the site has been covered in every important UK newspaper, and cites recent coverage in the Los Angeles Times, The New Yorker, and – most valuable of all – an appearance in the online magazine Salon, which brought 100,000 visitors to the site. The biggest boost has been the nomination of one of its books, *The Angels of Russia* by Patricia Le Roy, for a prestigious literary prize in London.

Mr Gettman is coy about sales, but says that "our titles routinely sell in the hundreds", enough to cover the costs of the operation, but not to pay for the time of its three participants. (The third man is Doug Alexander, a graphic designer responsible for the technical side.)

Two features of the business, however, are puzzling. One is that Mr Gettman believes most of his customers read the "books" on their computer screens without printing them out. He rails persuasively against the waste of resources and ink in producing books on paper, and boasts impressively of software that allows the site's users to receive the file in a form that can be read on a Palm Pilot or Palm III personal digital assistant.

But paperback books are a wonderfully convenient technology. They offer high contrast and image resolution, require no batteries, work perfectly when you are in the bath, and are easily transportable. Reading a book on screen is a nightmare by comparison – even on a Palm Pilot with a backlit screen that obviates the need for a bedside lamp.

The second puzzle is the web site's rejects. Like other publishers, Online Originals has a "slush pile": a backlog of unread unsolicited manuscripts. The difference is that Mr Gettman admits that he receives one manuscript for every two books he sells, an extraordinary ratio which illustrates the hunger among thousands of non-professional writers to be published over the internet. Having established a reputation for publishing good books, Mr Gettman is fiercely against diluting the credibility of Online Originals by publishing everything he receives, and he dismisses as "vanity publishing" the idea of charging a fee to people submitting manuscripts.

However, he admits there may be a market opportunity for diversifying into a second activity. Beneath its list of 33 "published" titles, Online Originals could act as a clearing house for hundreds, even thousands, of other titles. For these books, it would offer no guarantee of quality.

The site would simply help authors to sell their work, it, collecting an intermediary fee and perhaps an upfront fee to cover costs.

That would radically democratise the process of publishing over the internet. But Mr Gettman does not have time to do the job himself. Is any reader out there willing to take up the challenge?

tim.jackson@pobox.com

JUDY DEMPSEY
FILE FROM JERUSALEM

Holocaust survivors break the silence

In Israel there has been a general reluctance to discuss compensation and restitution. That is beginning to change

Naomi wants to do one thing before she dies: "I want my property back. Don't tell anyone," she whispers.

Naomi is a Holocaust survivor. She was born in Poland and will be 73 this year. She arrived in Israel just before the state was established in 1948. She never wanted German reparations, and never discussed the Holocaust, except with other survivors.

But now, nearly a decade after the collapse of the Berlin Wall which ended the Cold War, she wants her property back. Only her closest relatives know this.

Naomi is not alone in her reluctance to discuss compensation or restitution claims. It is shared by the Israeli media. The European and US media have given extensive coverage to the Holocaust gold held by Swiss banks, the subsequent $1.2bn settlement, and pressure on insurance companies to compensate Holocaust survivors. Israel's media, however, has given these issues minimum coverage.

Some journalists say the public is not interested. Yehuda Bauer, director of the Holocaust Research Institute at Yad Vashem in Jerusalem, is not convinced. He believes it is because discussing compensation and restitution is regarded as akin to turning the Holocaust into a "business of finances, gold and money. It is as though grief is being translated into dollars".

The Israeli media recently discussed briefly the size of the fees that lawyers representing Holocaust survivors in US court cases would receive.

It also touched on the squabbling between local survivors' organisations and the government about how to distribute their share of the $1.2bn Swiss settlement.

Such squabbling may vindicate the view that the Holocaust is in danger of being "commercialised" by the diaspora. But the media has been a reluctant commentator for another reason: the survivors have rarely spoken out.

Moshe Sanbar, chairman of the Centre of Organisations of Holocaust Survivors, which represents 300,000 survivors in Israel, says the survivors had no will to campaign for their rights. They were either too traumatised, or else upset by their reception in Israel.

"We were welcomed as Jewish brethren," says Mr Sanbar, a former governor of the Bank of Israel and a survivor. "But we were also seen as people who did not fight against the Germans: that we went as sheep to the slaughter houses." The survivors, he recalls, were called *sabonim*, the Hebrew slang for cowards. In Hebrew, it also sounds like *sabon*, or soap, a chilling reminder to survivors of how Nazis made soap from victims' bodies.

Once in Israel many Holocaust survivors, sensing the ambiguous welcome, kept quiet, reluctant to discuss their traumatic experiences with "outsiders" or even with their children. Others joined the Israeli army and fought in the 1948 war, desperate not only to be accepted by young Zionists determined to defend the new state but also to distance themselves from the perceived submissiveness of Jews to the Nazis.

Survivors also made little attempt to seek compensation from Germany. When Germany offered to pay reparations in 1952, the issue pitted right against left, with David Ben-Gurion, Israel's first prime minister, accepting payment for purely pragmatic reasons – the state was strapped for cash – while the right believed acceptance exonerated Germans of guilt. "Brothers clashed against brothers," says Mr Sanbar.

Such clashes are a thing of the past. The Israeli government prefers to leave it up to the diaspora, especially the World Jewish Congress, to take the lead on compensation and restitution claims.

Yet Israel's Holocaust survivors, who are slowly beginning to speak out, do believe the government and the media have a role to play in promoting more transparency in how claims are negotiated and distributed. One Israeli lawyer helping a survivor reclaim property in the former east Germany has bitterly complained to government officials about how the Frankfurt Claims Conference interferes in restitution claims. This is an organisation with close links to the World Jewish Congress. It was set up in the 1950s to administer Jewish property in cases where there were no survivors or known descendants.

"There is no transparency with the Frankfurt Claims Conference," complains the lawyer. "The Israeli government and media have done nothing to publicise how survivors are treated by some Jewish organisations outside Israel."

Closer to home, the government has made few attempts to change its banking secrecy laws. Under pressure from the US, Swiss banks were forced to make changes that resulted in the names of dormant account holders being publicised.

Such secrecy laws in Israel have prevented the public from gaining unhindered access to the names of dormant accounts held by banks during the British Mandate period.

Between 1938 and 1945, the Mandate authorities confiscated all "enemy" property, including accounts held in banks in Palestine by anyone living under the Nazi occupation.

Many of the account holders were German, Austrian and east European Zionists who had invested or opened bank accounts in Palestine to support the Jewish cause.

After 1948, the property was handed over to the Israeli government. But the banks, "in the interests of client confidentiality", have never made public the names of the dormant accounts going back to the 1930s, even though some may include those belonging to survivors.

Some survivors believe Israel should demand transparency not only in restitution and compensation claims but from its own banks. "It is time," says Mr Sanbar, "to put our own house in order as much as it is time for the survivors to stand up proudly."

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BUSINESS EDUCATION TOP MANAGEMENT PROGRAMME

Business meets bureaucracy

Managers from the private and public sectors find they share more similarities than differences, writes **Alison Maitland**

Sally Robson, a senior manager with Midland Bank, had no experience of high ranking civil servants before she spent four weeks closeted with them on the UK government run Top Management Programme.

"From my perspective, the public sector was the great unknown," she says.

Fellow participant David Hartnett, a senior Inland Revenue administrator, was only too keen to prove to private sector managers that civil servants "haven't got three heads". He wanted to test his hunch that managing a government department was really like running a large business.

Three times a year the programme brings together about 30 senior managers from the public, private and voluntary sectors to sharpen their leadership skills and broaden their outlook.

Run by the Cabinet Office since 1965, its aim is mutual understanding. Civil servants need to know how policy affects wealth creation and business people need to understand the constraints of government and how to get their views heard.

Speakers on the most recent course included George Robertson, the UK defence secretary, Sir Richard Wilson, head of the UK civil service, and Sir Stuart Hampson, chairman of John Lewis Partnership, the retail group.

Tutors included Manfred Kets de Vries of Insead, on leadership, and Walter Reid, chairman of Management Development Associates, on financial analysis.

Participants were coached in media skills and career management and spent time trouble-shooting with Yorkshire Water, Schering, the German pharmaceuticals company, and the prison service.

Public face: Revenue official David Hartnett   David Ahmed

Both Ms Robson and Mr Hartnett came away convinced that business and government can learn much from each other's experiences, not because they are poles apart but because they have a lot in common.

"When you get down to it, the actual management issues are very similar," says Ms Robson. "I really thought there was more personal accountability in the private sector and the public sector could hide behind committees. But it became clear there has been a lot of change. Personal accountability seems to be creeping into the public sector."

Managing change was a central theme of the course. Interestingly, each side considers its own sector has undergone more change than the other.

Mr Hartnett says the public sector has been transformed "beyond recognition" over the past 10 years. Some companies, such as Imperial Chemical Industries, have carried out an enormous overhaul of their businesses, but most have not had to grapple with change in the way the Inland Revenue has.

He explains how course participants examined ways Yorkshire Water could improve its approach to customers. They advised it to be more pro-active about its achievements since the public relations disaster over its handling of the 1995 drought. "Their response was: 'Our strategy is to keep our heads down'."

The main area of difference to emerge from the course was the way decisions are made.

It tended to be the private sector that produced the practical solutions

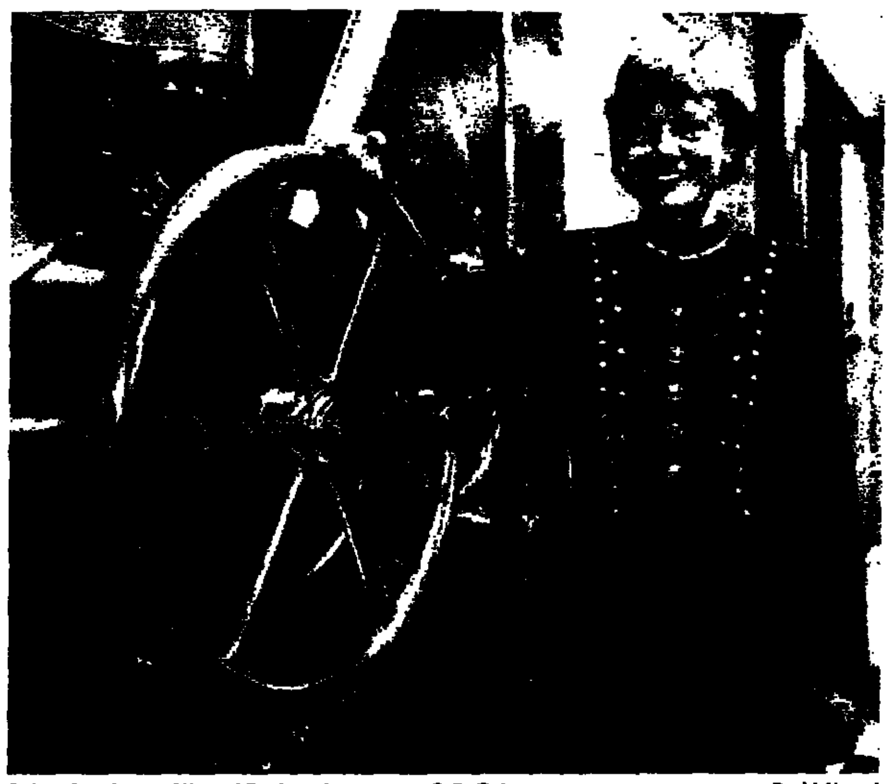
For the Inland Revenue, a change in tax law means working on the implications for ministers, for the financial sector, and for its own staff. "There's a swathe of sensitivities to be properly managed," says Mr Hartnett.

Things are more straightforward in the corporate sector, says Ms Robson. "The objective is to provide a return to the shareholders."

Senior civil servants displayed awesome intellects and dauntingly sharp analysis during discussions, she comments. But it tended to be the private sector that produced the practical solutions.

This has helped her appreciate how the civil service works. "My role is so much easier because I make a decision and I stand by it, whereas they make the recommendation and somebody else (a minister) takes the decision."

The programme is designed for managers likely to reach the top of their organisations. Ms Robson, 40, promoted since the course ended in July, now heads Midland's financial services group, leading a team handling customers such as fund managers, securities houses and building societies. Mr Hartnett, 47, becomes director tomorrow of two Revenue divisions – savings and investment and capital and valuation. He will be responsible for tax policy on charities, trusts and special savings vehicles including the new Individual Savings Accounts.



Safe pair of hands: Midland Bank senior manager Sally Robson   David Ahmed

Will the programme change the way they handle their new roles?

Picking up on advice from Professor Kets de Vries, Ms Robson is instituting a critical review of the way everyone in her team works. For one thing, paperwork needs to be cut down so that more time can be spent on core tasks.

Both managers are determined to step back periodically from day-to-day concerns and focus on future strategy.

Already 10 of the "summer 1998 class" have met for an impromptu reunion. Mr Hartnett explains: "We became fiercely loyal to each other. One or two of these world-class gurus who came to work with us were very challenging indeed and once or twice we needed to look after each other."

Top Management Programme, 0171 270 6352. Nominations for next year's courses should be made by the end of this month. Fee is £9,000. Cabinet Office bears cost for civil servants.

Yale in league with the MBA contingent

Yale School of Management has decided to fall into line with the other Ivy League business schools and offer an MBA programme.

But although it has changed the name of its MPPM – Master of Public and Private Management – programme, the course content will remain the same, says Cécile Ablack, associate dean of public affairs and strategic planning.

The rationale behind the decision was to give students a degree that was recognisable worldwide. More than 30 per cent of Yale's students come from outside the US.

The decision was voted on by the faculty this month and the title MBA will be used for all students who graduate in 2001 and beyond. Existing students, and all alumni, now have the option of trading in their existing masters degrees for an MBA.

The decision leaves Kellogg as the only top-notch school in the US to offer a masters degree rather than an MBA.

● On September 23 the Yale School of Management will hold its inaugural global conference in New York. The title of the conference is China: The Next Big Crisis? and speakers include Yale faculty, including dean Jeffrey Garten, and independent speakers.

Yale: www.yale.edu/som

Developments in the east

The European Training Foundation is sponsoring research into the state of management development in central and eastern Europe. The project is being organised by the Central and East European Management Development Association (Ceeman), in Slovenia. Researchers there will interview more than 1,000 managers in Poland, Russia, Romania and Slovenia to ascertain their training needs.

The project will be completed in December and the results presented at Ceeman's Spring conference.

Ceeman: Slovenia, 64 221 761

Letters don't spell success

MBA might be three nice letters to have after your name but, for small businesses at least, work experience is far more valuable, according to research from BDO Stoy Hayward, the growing business advisers.

The research surveyed 200 owner-managers in the UK, nearly half of whom had studied for a formal business qualification, such as an MBA. However, 70 per cent cited previous experience as the most valued commodity.

As to regional variations, Scottish entrepreneurs placed more emphasis on professional qualifications than their English counterparts.

BDO Stoy Hayward: UK, 171 486 5888

Columbia prizewinners

This year's recipients of Columbia Business School's Botwinick Prize in Business Ethics are J. Michael Cook, chairman and chief executive of Deloitte & Touche, and Ira Millstein, senior partner in law firm Weil, Gotshal and Manges and a teacher at Yale School of Management.

Columbia cites Mr Cook's role in promoting women at Deloitte & Touche and praises Mr Millstein as a pioneer of corporate governance.

Previous winners include Lord David Sainsbury, now UK science minister, and Anita Roddick, founder of Body Shop.

Columbia: www.columbia.edu/cu/business

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TRAVEL UPDATE

UK air war hots up as attention turns to Scotland

Competition is becoming ever fiercer on Britain's main domestic air routes. Next month, KLM UK, the Dutch airline's British arm, launches three round trips a day between London City Airport and Glasgow. Go, British Airways' low-cost subsidiary, does not operate from the Docklands airport and the two carriers already compete head-on for Scottish traffic at Stansted, in Essex. Last week, Go, which has always operated flights to Glasgow, started flights to Edinburgh, also from Stansted.

Delta switches

Delta is to scrap first class in favour of a revamped business cabin on flights across the Atlantic, the Pacific and to Brazil, from December. Stephan Egli, vice-president Atlantic and Pacific, says seats will be wider and recline further. Delta says demand for business class travel on these routes last year increased at four times the demand for first class seats.

Almaty hotel

Regent International chain has opened a new hotel in Almaty, Kazakhstan. The 290-room property is in the city centre, about 20 minutes' drive from the airport.

It has 10 suites and an executive floor, a business centre, gym, floodlit tennis courts and pool.

Meat-less meals

Good news for vegetarians. This month Swiss carrier Crossair is offering dishes prepared by the Vegi Hilton in Zurich, which claims to be Europe's oldest vegetarian restaurant. United Airlines is serving Indian vegetarian food on flights within and from the US.

Airbus bug test

Airbus Industrie and Boeing have reassured travellers fretting about the millennium bug.

Airbus has made test flights using an A320 and an A330 during which the aircraft's clock was allowed to tick over from December 31 1999 to January 1 2000. It says there were "no failures, warnings or problems of any kind".

HK package

For travellers on extended trips this year, Hong Kong's Kowloon Hotel has a package costing HK$650-HK$700 (£50-£55) a night. It includes complimentary local telephone calls, fax machine, personalised e-mail address and other discounts.

Roger Bray

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	28	25	25	26	26
Hong Kong	29	30	29	29	29
London	16	18	18	19	20
Frankfurt	14	15	17	17	18
New York	28	27	26	24	24
Los Angeles	26	26	28	25	24
Milan	23	23	24	25	25
Paris	18	18	19	20	22
Zurich	13	15	17	17	19

Information supplied by PA WeatherCentre — Maximum temperatures in Celsius

BUSINESS TRAVEL MAKING RESERVATIONS ON THE INTERNET

Book it yourself

European executives can now arrange their own travel, says **Rachael Jolley**

European business travel managers have started to give staff the option of making travel bookings from their office computers.

Travellers in the US have been using self-booking technology for more than a year but it is only just starting in Europe. Self-booking tools allow travellers to access a travel reservation system from their own computer, choose flights that fit most neatly with their schedule, and check price and travel policy compliance before making the booking.

Although some executives are worried this will be just another task added to already busy days, reports from the US show that executives prefer to do their own bookings. Self-booking tools have some opponents but the fast uptake in the US shows a broad acceptance by companies seeking to drive down costs and staff time. In 1996, just 36 companies were using the Sabre Business Travel Solutions tool; that number has risen to 190. These include Citibank, General Electric and Morgan Stanley. The American Express/Microsoft tool AXI is already being used by 130 US companies and is expected to be adopted by 15 European operations this year.

Charles Schwab, the US analyst group, saved £1m ($1.6m) from its annual travel bill after adopting self-booking tools in its offices and was also able to cut staff in its travel department.

The Sabre product will be launched in the UK by December. It offers features such as airline seat maps and hotel bookings via maps of destinations. Xerox, the photocopier group, is the first company in Europe to start using the AXI self-booking tool.

The company will use an intranet to access the reservation system, and travellers will even be able to make bookings from laptops. Thirty Xerox staff in the UK started testing the system last month. James Power, American Express interactive travel director, believes travellers will enjoy making decisions about their trips.

"You can weigh up the benefits of the more expensive direct flight over the cheaper one with the stopover," he says. Travellers who see their travel policy laid out in front of them are more willing to stay within its limits, he says.

Research by the Thomson Corporation, whose staff use the American Express tool, found it was spending 21 per cent less on air tickets, says Mr Power.

The desktop technology also helped executives make travel decisions earlier, gaining cheaper flight deals, he adds. For smaller companies, the internet offers a way of making travel bookings from the desktop. Travelocity, one of the biggest internet travel sites, is finding 30 per cent of its bookings are coming from business travellers.

BUSINESS TRAVEL ASIAN AIRLINES

Brave face in a stalled market

Gillian Upton looks at how airlines are reacting to falling passenger numbers as the economic crisis takes its toll

Singapore Airlines is putting a brave face on the Asian crisis with a $300m (£182m) overhaul. The initiative is one of several product innovations and price cuts by Asian airlines aimed at stimulating demand.

Passenger volumes within the region have fallen sharply, particularly on flights from Japan. And while passenger numbers from Europe and North America have held up reasonably well, fares have been cut significantly.

"The load factors [number of passengers] have dropped 5-10 per cent over the past 14 months, but that's an artificial figure held up by promotional fares," says Zayong Koo, director and regional aviation analyst for Dresdner Kleinwort Benson in Hong Kong. "If you normalise it, load factors are down by 10-15 per cent."

Hurting most are Philippine Airlines, Garuda, Asiana and Korean Air. Some are trying to sell aircraft or defer purchases. Singapore Airlines has a stronger balance sheet than its Asian competitors but has deferred the delivery of 11 aircraft until 2001 and beyond.

The overhaul includes improvements in the air and on the ground. Every passenger will have 21 channels of video programming and 12 audio channels. Those in first and business will also have video games, noise-cancelling headphones, in-seat telephones and live-text news.

Top chefs and wine consultants have created new menus and wine lists, including reserve vintages. Givenchy has designed the business class cabin, blankets and serviceware; Hugo Boss its toiletries.

Sleeper beds, installed as 12 individual compartments, have been fitted in first class together with a 14in TV screen, retractable desk and in-seat laptop power supply. The cabin is a mix of leather, burr wood and tinted metal finishes.

Business class passengers will get more legroom (52in) and seat width (21in), an extendable seat-base cushion and, a first in this class, personal privacy screens. The airline's economy class seat matches Air New Zealand's, with adjustable headrests and footrests. Champagne will be offered in this cabin, and snack boxes during films.

More check-in counters and options for premium passengers (by telephone, fax and e-mail; and a check-in lounge for first class) and auto check-in for hand-luggage passengers in Singapore should expedite travel.

Easier transfers between Singapore Airlines and Lufthansa, its alliance partner, will come when both share the same terminal at Frankfurt airport.

Rival airlines have not been standing still either. Cathay Pacific, which has announced its first loss in many years, has more than halved its economy-class fare from London to Hong Kong, now £464 return (including all taxes) instead of upwards of £1,100. It will soon be installing seat-back videos in every economy seat and will also upgrade its first-class cabins.

Thai is increasing the frequency of flights between the UK and Bangkok from next month, rekindling its Amazing Thailand package deals from this week and taking delivery of its first B777-300. Malaysian Airlines is offering a Showcase Malaysia economy class ticket for £388 between October 1 and November 30 which includes four nights accommodation.

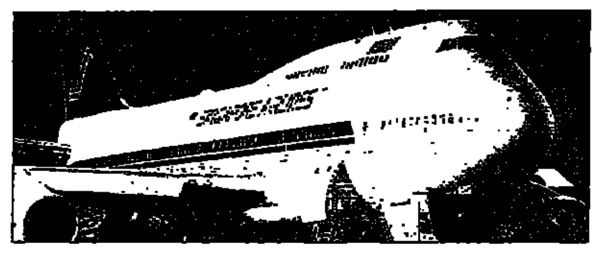
Qantas is introducing vastly improved seats in all three cabins and celebrity-chef food.

Also worth checking out for good value are Air France, Air New Zealand, British Airways and Lufthansa.

They are all in the vanguard of innovation in first class, with sleeper beds and more privacy, and business class.

In economy class, Air New Zealand stands out. It has given travellers more space, greater flexibility over their eating, sleeping and working time, greater choice of in-flight entertainment, and food courtesy of celebrity chefs.

Singapore Airlines has a stronger balance sheet than its Asian competitors but has deferred the delivery of 11 aircraft



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Look for these new locations opening soon:
United Kingdom: Gatwick, Manchester, Reading • Israel: Tel Aviv

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OPENINGS

TOKYO
After a three-year refit, the National Museum of Western Art reopens fully tomorrow with an exhibition entitled "Claude Lorrain and the ideal landscape". The museum houses the remnants of the Matsukata Collection, including 53 Rodin sculptures, a vibrant 1916 "Waterlilies" by Monet and paintings by Degas, Renoir and Courbet.

PARIS
An exhibition tracing the influence of Millet on the young Van Gogh opens at the Musée d'Orsay on Thursday, and runs until early January. Many of the paintings are on loan from the Van Gogh Museum in Amsterdam.

LONDON
The Royal Academy of Arts is mounting an exhibition devoted to Picasso's ceramics (left). Opening on Thursday, it consists of 175 works, many of which have never been exhibited before.

The Royal Philharmonic Orchestra's 1998-9 season is dominated by a Mahler cycle at the Royal Albert Hall. In the opening concert on Thursday, Daniele Gatti conducts the First Symphony and the first part of *Des Knaben Wunderhorn*.

While *Copenhagen* continues its run at the National Theatre, another new play by Michael Frayn opens tonight at the Gielgud Theatre. *Alarms and Excursions*, a comedy, is directed by Michael Blakemore (as was *Copenhagen*) and stars Felicity Kendal (left), Josie Lawrence, Nicky Henson and Robert Bathurst.

A new play by Mark Ravenhill opens tonight at the Lyric Studio Hammersmith. *Handbag* takes its inspiration from Wilde's *The Importance of Being Earnest*, and promises to examine modern parenting. Directed by Nick Philippou, the cast includes Tim Crouch and Faith Flint.

NEW YORK
The opening night of the New York Philharmonic's 1998-9 season on Wednesday celebrates the orchestra's 54-year association with violinist

Isaac Stern (above). He will play the Beethoven Violin Concerto in a programme marking the start of a complete Beethoven cycle conducted by Kurt Masur. The symphonies will be presented in numerical order over five programmes, ending on October 3.

ROTTERDAM
A new production of *Manon Lescaut* at the Schouwburg on Wednesday marks the start of a 10-day festival presided over by Valery Gergiev, principal conductor of the Rotterdam Philharmonic Orchestra. Puccini's heroine will be sung by Galina Gorchakova (right), with another Kirov star, the tenor Vladimir Galuzin, as Des Grieux. The festival also includes concerts and recitals.

SAN FRANCISCO
André Previn's new opera, *A Streetcar Named Desire*, based on the Tennessee Williams play, will receive its first performance on Saturday at War Memorial Opera House. Renée Fleming will create the role of Blanche Dubois, with Rodney Gilfrey as Stanley and Elizabeth Futral as Stella. The production will be staged by Colin Graham and conducted by the composer.

AMSTERDAM
Following the closure of the Van Gogh Museum for an eight-month renovation, the Rijksmuseum is presenting a representative selection of the finest paintings by Van Gogh and his contemporaries. It opens on Saturday.

Hall of harmony beside the lake

Lucerne's new cultural centre is a building music lovers will want to return to again and again, writes Andrew Clark

Seen from across the lake, Lucerne's Cultural and Congress Centre merges imperceptibly with the city skyline. Only close up do you notice the enormous overhang of the roof, the traffic-free waterfront location and the sense of an outsize music-box waiting to be entered and explored. Jean Nouvel's latest *grand projet* is neither architectural conceit nor functional monstrosity, but a happy marriage of artistic ideals and practical imperatives.

Surrounded by Alpine views, it has just about the most spectacular setting of all the world's major concert halls, and Nouvel responds with unusual restraint: his building harmonises with, rather than dominates, its surroundings. But the real miracle lies within, intangible and invisible. The acoustic engineered by Russell Johnson easily matches the wonders of Birmingham's Symphony Hall, on which Johnson worked so profitably a decade ago. The difference is that Lucerne's new hall is more elegant and intimate.

Jean Nouvel's latest 'grand projet' is a happy marriage of artistic ideals and practical imperatives

You might wonder what this architectural-acoustical jewel is doing in a Swiss city of only 60,000 people. Shut off from the musical mainstream for most of the year, Lucerne has yet to answer the question satisfactorily: the programme for the winter months consists mainly of bargain-basement imports and small-scale community promotions.

The hall's *raison d'être* is the Lucerne music festival, a star-studded event which had long outgrown its previous venue. The only way the festival could get a new building was to tie it to the city's ambitions as a tourist and conference centre. And in a country where every major public spending initiative needs local endorsement at the ballot box, that meant proving to the widest range of interest groups, from hoteliers to yodelling clubs, that they had a stake in the building.

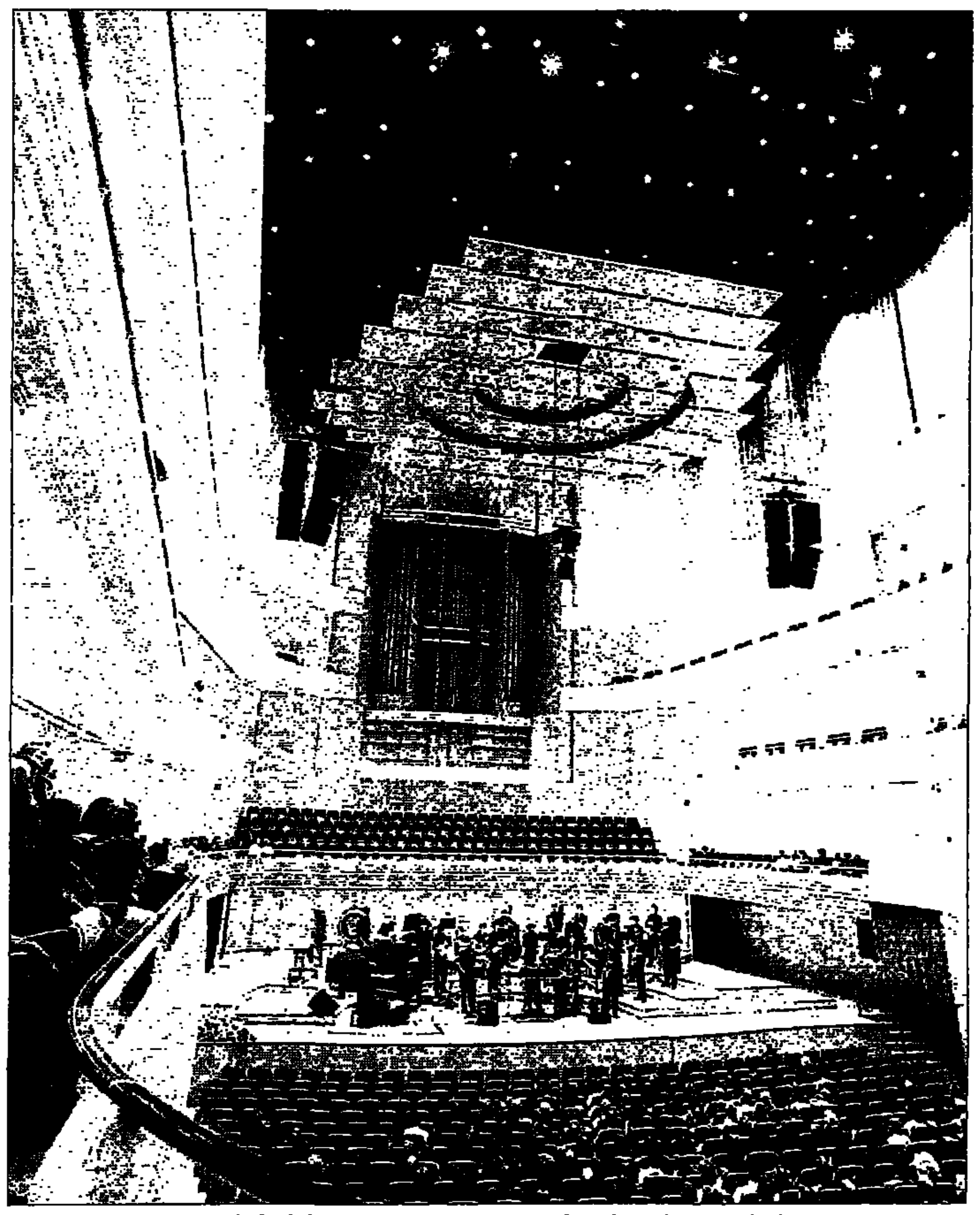
The result is a Sfr205m (£87m) venue of which everyone can be proud. The art museum, conference hall and two flexible smaller halls will not open until next year; but the concert hall, inaugurated last month to coincide with the festival's 60th anniversary, has already established itself as worthy of the world's leading orchestras.

All are housed behind a façade of glass, steel-mesh and aluminium, and sheltered by a vast pagoda-like canopy – the building's only concession to monumentalism. Reaching unsupported for 30 metres towards the waterside, the canopy not only offers shelter from the elements, but harmonises the building with the horizontal expanse of the lake. It invites you to spend the intervals outside – for which purpose a long, open-fronted bar has been furnished.

That's just as well, because Nouvel doesn't seem to want anyone to linger en route to or from the concert hall. Shielded by the canopy, the building's open-fronted balconies are denied the prospect of mountains and sky, and the tiny foyers are almost as darkly idiosyncratic as Nouvel's opera house at Lyons, with horrifyingly low ceilings, narrow corridors and conspiratorial spotlights. The impact in Lucerne is leavened by the rosewood decor, as if you're skirting the base of a mammoth stringed instrument or the bowels of a ship.

Once inside the moulded shoebox auditorium, all is sweetness and light. It's a bit like a private temple to music, with plaster walls, wooden organ gallery and a night-sky ceiling of unparalleled height. Its pristine comfort masks a litany of horse-trading during the building process. Nouvel wanted smooth walls; Johnson insisted on reflective devices – and the compromise is an attractive surface of indented reliefs. Nouvel wanted red and blue decor; Claudio Abbado, representing musicians closely associated with the festival, demanded something milder, and the result is a soft white. Nouvel objected to Johnson's trademark echo-chambers; to his credit he backed down, painting them an infernal red.

The 1,840 capacity (420 less than Birmingham) is Johnson's ideal – a bit small for an international festival, but unlike Baden-Baden's ill-fated new theatre, not so big that it will embarrass its users in the off-season. There are four slim balconies and a smattering of Oregon pine around the stage. As for sound quality, you don't get much more truthful than this. It is transparent, gently resonant and quite unforgiving, but with the same balance wherever you sit. Musicians clearly love it – and so do audiences, buoyed by the close contact with the stage. The 20th century has not, on the whole, been renowned for its success in concert hall design. In Lucerne's new venue, we can draw compensation from all those failed adventures. It is a meeting point of art and science, the avant-garde and tradition – a building music lovers will want to return to again and again.



Inside the auditorium, the real miracle is intangible, invisible: the acoustic engineered by Russell Johnson

★

For his seventh and final year as festival intendant, Matthias Bamert put together an appropriately lavish programme – a "festival of festivals", with contributions from Bayreuth, Salzburg and the London Proms, plus the usual glittering array of orchestras and soloists. These were augmented by a downmarket series of events aimed at the wider Lucerne public – who, before Bamert started loosening the festival's boundaries, felt marginalised by the festival's expensive image. Countering that feeling, without compromising standards, has been one of Bamert's achievements, and he hands over an organisation in rude health to 37-year-old Michael Haefliger, currently manager of the Davos festival.

Another hallmark of Bamert's work in Lucerne has been his promotion of contemporary music. The choice of Heinz Holliger as this year's composer-in-residence helped to mitigate the absence of a commissioned work to inaugurate the new hall. Holliger is Switzerland's musical conscience – virtuosic, slightly eccentric, defying the predictable or conventional – and his music reflects those qualities. The centrepiece of Lucerne's Holliger retrospective was a concert in which he conducted the Orchestre de la Suisse Romande in works ranging from his first published orchestral essay to his recent Violin Concerto.

Tonscherben (1985) – 15 minutes of sonic fragments, ingeniously musicked – showcased the demonstration quality of the hall's acoustic, as well as making a smashing concert-opener. But Holliger is more than just an expert manipulator of sound. Cornelia Kallisch's rendition of five songs (1960/1993) inspired by poems of Georg Trakl underlined his gift for exploring the inner world of the psyche.

The influence of Berg and the Second Viennese School hangs heavy on the three early songs; but in the concerto, powerfully interpreted by Thomas Zehetmair, Holliger is very much his own man. Once again he draws inspiration from a turn-of-century creative artist – Louis Soutter, a musician and painter who withdrew into a Hölderlin-like state of madness. The piece draws its character as much from a concertante group of marimba, harp and gypsy dulcimer, as from the solo part, which eschews virtuoso histrionics. The question with all such music is: does it stand on its own, without extra-musical explanation? Holliger gets away with it, though not without a suspicion of long-windedness.

Barbican stage deep in Du Du

THEATRE

ALASTAIR MACAULAY

Peony Pavilion
Barbican Centre, London EC2

Everything about *Peony Pavilion* is so pretentious and so silly that one wonders why anybody in its audience takes it seriously. On press night, about 20 per cent of those present left in the interval; and, in Act Two, hopeless giggles often overtook those of us who remained. Nonetheless, because the director is Peter Sellars and because the activities on stage are ancient Chinese, modern Chinese, and also Chinese-American, a certain PC multicultural reverence envelopes all too many others. But what they applaud is bastardised Chinoiserie, boring theatre and ludicrous music.

And why are we seeing it at so important a venue as the Barbican Centre? If it were put on pseudonymously at, say, the Riverside Studios, it would be recognised as what it is: three and a half hours of Pseuds' Corner. Part One – partly Chinese play sung and danced, partly American and spoken – is dull, dull, dull. It tells the tale of Du and her amorous fantasies: untells them, rather.

The Chinese sections are accompanied by wonderfully fatuous surtitles. When the surtitle reads: "Ah, could we live or die at will, then who would make bitter moan?", you wonder about the translator (Cyril Birch, a Californian still extant). Peter Sellars employs the alter-ego technique: one Du speaks American, one Du chants Chinese. Deep Du Du.

Part Two is something else. For one thing, the composer, Tan Dun, makes it part opera, part dance, part fast-rock orchestral concert. For another, he gives us a third Du, and operatic soprano. Du Du Du what you Dun Dun Dun before.

Everything in Part Two is ridiculous. Dun's music is execrable pastiche. The vocal writing is just like Dudley Moore's marvellous "Little Miss Muffet" send-up of Benjamin Britten. Very Serious Indeed its endless fioriture, its accelerating melismata, its multiple trills.

Sellars' stagecraft is at his most characteristically inept. Most performers are heavily miked but still imperfectly audible. Video screens proliferate. They seldom depict the person speaking or singing. The lighting, by James F. Ingalls, is decorative but inefficient: two Dus dance for minutes on end in complete shadow.

One of these two is Hua Wenyi, allegedly a Chinese national treasure "particularly renowned for the expressive power of her eyes". Her eyes made zero impression in *Peony Pavilion*; her movements are repetitious and tepid in the extreme. Du No 1, the American actress Lauren Tom, is bland and phoney. Du No 3, the soprano Ying Huang, sings with unvarying prettiness.

"Light breezes murmur like palace pipes." Who can quite believe now that we sat there while surtitles announced that the soprano was singing the following words: "Lone spirit, timid lest night breeze stir my belt ornaments . . . " Shame, shame, shame on all those dull wits who did not laugh aloud.

A long, dull evening of bastardised Chinoiserie — Alastair Muir

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: Carlson-Humphrey-Tharp. Programme of works by the three choreographers. Includes Carolyn Carlson's Slow, heavy and blue and Twyla Tharp's In the Upper Room; Sep 14, 15, 18, 19

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
Bill Viola, 25 Year Survey – A Video Journey: major survey of work by the American video artist. Includes more than 15 installations and 20 video tapes, as well as sketches and notes; to Nov 29

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen. Cast includes Heinz Kruse, Jeannine Altmeyer and Henk Smit; Sep 16

BASLE

EXHIBITION
Kunstmuseum
Tel: 41-61-271 0828
www.kunstmuseumbasel.ch
A House for Cubism: the Raoul La Roche Collection. Display of works collected by the Swiss banker and given to the museum in the 1950s and 1960s. Includes works by Picasso, Braque, Léger, Gris, Le Corbusier and Ozenfant; to Oct 11

BUCHAREST

CONCERT
Sala Mare a Palatului
Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner, Berg and Tchaikovsky; Sep 18

CHICAGO

EXHIBITION
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Art and Archaeology of Ancient West Mexico: more than 200 works, including terracotta figures found in tombs, and findings of recent excavations; to Dec 6

EDINBURGH

OPERA
Edinburgh Festival Theatre
Tel: 44-131-529 6000
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Sep 16, 19

FRANKFURT

CONCERT
Alte Oper
Tel: 49-69-134 0400
Chamber Orchestra of Europe: conducted by Heinz Holliger in works by Haydn and Mozart; Sep 18

OPERA
Oper Frankfurt
Tel: 49-69-21237 999
www.frankfurt-business.de/oper
La Périchole: by Offenbach. Conducted by Catherine Rückwardt in a staging by Peter Eschberg, with designs by Peter Pabst; Sep 18

LONDON

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Otello: by Verdi. New production by David Freeman, designed by Tom Phillips and conducted by Paul Daniel/Mark Shanahan. David Rendall sings the title role; Sep 16, 19

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
● Carmen: by Bizet. Washington Opera production by Ann-Margret Pettersson, designed by Lennart Mörk. The conductor is Bertrand de Billy and the title role is sung by Jennifer Larmore; Sep 16, 19
● Werther: by Massenet. Conducted by Emmanuel Joel in a co-production with Théâtre du Capitole Toulouse staged by Nicolas Joël and designed by Hubert Monloup. The title role is sung by Ramón Vargas; Sep 15, 18

LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-226 4400
www.LuceneMusic.ch/
● Vienna Philharmonic Orchestra: conducted by Lorin Maazel in works by Mozart and Bruckner; Sep 14
● Vienna Philharmonic Orchestra: Lorin Maazel plays violin in a work of his own composition and conducts a work by Sibelius; Sep 15
● Vienna Philharmonic Orchestra: conducted by Lorin Maazel in a work by Mahler; Sep 16

MUNICH

CONCERT
Philharmonie Gasteig
Tel: 49-89-5481 8181
Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner and Mahler; Sep 14

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
● New York Philharmonic: Kurt Masur conducts works by Beethoven, in the season's opening concert. With violin soloist Isaac Stern; Sep 16
● New York Philharmonic: Kurt Masur conducts Beethoven – The Complete Symphonic Cycle. Programme I (Sep 17, 18), Programme II (Sep 19)

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Letters in Gold: Ottoman Calligraphy from the Sakip Sabanci Collection, Istanbul. 70 objects ranging from the 15th to the 20th century; to Dec 13
● The Nature of Islamic Ornament, Part II: Vegetal Patterns. Second in a four-part series on Islamic ornament from the 9th to the 18th century. Includes rare brocades and carpets; to Jan 10

Whitney Museum of American Art
Tel: 1-212-3272801
Mark Rothko: major retrospective of the American abstract artist, including loans from Europe and Japan; to Nov 29

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Partenope: by Handel. Directed by Francisco Negrin and conducted by George Manahan. Lisa Saffer sings the title role; Sep 16, 19
● Tosca: by Puccini. Production by Mark Lamos, in association with Glimmerglass Opera. George Manahan conducts and the cast includes Isabelle Kabatu, Anotonio Nagare and Mark Delavan; Sep 15, 18

PARIS

CONCERT
Théâtre des Champs Elysées
Tel: 33-1-4952 5050
Orchestre National de France: conducted by Leonard Slatkin in works by Chabrier, Franck, Fauré, Roger-Ducasse and Schmitt. With piano soloist Michel Dalberto; Sep 17

SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
A Streetcar Named Desire: world premiere of a new opera by André Previn, with a libretto by Philip Littell based on Tennessee Williams' play. The staging is by Colin Graham, with designs by Michael Yeargan. André Previn conducts and the cast includes Renée Fleming and Rodney Gilfry; Sep 19

SEATTLE

CONCERTS
Benaroya Hall
Tel: 1-206-215 4747
www.seattlesymphony.org
Kyung-Wha Chung: recital by the violinist of works by Schubert, Bartók and Schumann. Accompanied by Itamar Golan; Sep 14

Benaroya Recital Hall
Tel: 1-206-215 4747
www.seattlesymphony.org
Seattle Symphony Orchestra: conducted by Gerard Schwarz in a retrospective of the orchestra's composers-in-residence. Includes world premieres of works by David Stock and Samuel Jones, and works by Richard Danielpour, Bright Sheng and Stephen Albert; Sep 16

TOKYO

CONCERT
Suntory Hall
Tel: 81-3-3584 9999
● Japan Philharmonic Symphony Orchestra: conducted by Gianluigi Gelmetti in Brahms' German Requiem; Sep 17, 18
● Yomiuri Nippon Symphony Orchestra: conducted by Gilbert Varga in a programme including works by Chausson and Ravel; Sep 16

VIENNA

CONCERTS
Musikverein
Tel: 43-1-5058 6810
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Schoenberg and Mahler; Sep 15
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner, Berg and Tchaikovsky; Sep 16

COMMENT & ANALYSIS

PHILIP STEPHENS

Flawed but not out

The impeachment case against Clinton is weak and resignation would only damage the position of the US presidency further

It is such a seductively simple solution. Bill Clinton is a sexual deviant and a liar. Let's not bother to test the other charges laid by the voyeuristic Kenneth Starr. The president should resign. A clean break is what is needed, a cauterisation of the wound. Mr Clinton would depart with a few shreds of decency. Al Gore could get on with running the US, and the US with running the world. We could all sleep soundly in our beds again.

Baloney. There is no easy way out. The resignation panacea is a delusion. The US cannot so blithely destroy its president without irreparably damaging the presidency. For the next two years, paralysis threatens no matter whether Mr Clinton stays or goes. But more than that. This is now about more than than the fate of Mr Clinton's political skin. The president has a duty to fight impeachment. Resignation would itself subvert the constitution he is now accused of debasing.

For all the gratuitously lurid detail about Mr Clinton's tryst with Monica Lewinsky, the most surprising thing about the Starr report is how unsurprising it is. Flip over the graphic sex and there is nothing we did not already know. Where is the smoking gun? Where, as the president's defenders have already asked, is the Whitewater affair, Travelgate, Filegate and the rest? The special prosecutor's $40m, four-year investigation has produced little more than a tawdry soap opera. As for the calculated prurience of the script, it tells us as much about Mr Starr as it does about the president.

None of this exonerates Mr Clinton. It is hard to empathise with a man so deliberately careless of the truth, the more particularly since his present predicament is self-inflicted. Whatever the morality of his affair with Ms Lewinsky, Mr Clinton lied repeatedly to conceal it – and did so with reckless deliberation. All the rest is sophistry, important perhaps to the lawyers, but irrelevant in the real world. We know what constitutes a sexual relationship.

The report thus raises the obvious question as to *whether Mr Clinton deserves* to hold the most powerful office in the world. It is a question that has to be answered according to our personal moral codes. Some consider lying about one's sex life the most trivial of sins. Others say hurrah for hypocrisy and rejoice in the double standards that decree that politicians must stand above reproach. How American voters ultimately divide on this issue will probably determine Mr Clinton's fate.

There is a distinction, though, to do be drawn between whether Mr Clinton deserves to be president (debatable) and whether he should be unceremoniously bundled out of the White House without proper opportunity to mount his defence (no). For Mr Starr's report is *a story of low crimes and* misdemeanours.

The special prosecutor, of course, has laid a multitude of charges. Alongside perjury lies the allegation that Mr Clinton persistently sought to obstruct justice by seeking to suborn witnesses, by lying to his staff and by invoking executive privilege. It is this "abuse of office", Mr Starr concludes, that defiles the president's overriding constitutional duty to "take care that the laws be faithfully executed".

Grave allegations. But even at first glance they are at least contestable. Ms Lewinsky's extraordinarily detailed recollections are uncorroborated. Many of the other charges depend on interpretation. Can the exercise of the president's legal right to seek executive *privilege for the Secret* Service agents who guard the White House really be claimed as a crime?

At times it seems that the special prosecutor (and we should never forget Mr Starr *is neither judge nor jury in* this case) is alleging that the very act of mounting a defence in the Paula Jones civil law suit amounted to abuse of office by the president. An obsessive determination to damage Mr Clinton seems to have elbowed aside cool analysis of the legal case.

Much has been made, of course, of the fact that impeachment is essentially a political rather than legal process. We are reminded that Alexander Hamilton said as much in *The Federalist*, the sacred text of American constitutionalism. The sentence most often quoted by scholars is that in which Hamilton declares that impeachable offences "are of a nature which may with peculiar propriety be denominated political".

It was for *that very* reason, however, that the framers of the constitution built in important safeguards for the accused. Though the concept of impeachment has its roots in British law, the founding fathers chose a presidential rather than a parliamentary system. The head of state as well as government was to be removed only for high crimes and misdemeanours – not, as in the British parliament, at the whim of the majority party. In the US that choice was reserved to the people in elections every four years. Thus provision for final adjudication in the Senate (and the two-thirds majority required for conviction) was vital. In Hamilton's words, to "preserve unawed and uninfluenced the necessary impartiality between an individual accused and the representatives of the people, his accusers".

If it were otherwise, the principal author of *The Federalist* continued, there would be "the greatest danger that the decision will be regulated more by the comparative strength of parties than by real demonstrations of innocence or guilt". And there you have it. The constitution demands that Mr Clinton, if impeached in the House, must take his case to full trial in the Senate. And what grave injury to the Union, I wonder, could two-thirds of that chamber find in Mr Starr's charge sheet?

It is to state the obvious to observe that such a process would paralyse US politics. But that, sadly, is inevitable whatever the outcome. If Mr Clinton were to resign quickly (I don't think he will), a Gore presidency would be just as hobbled.

I fancy that a Republican-dominated Congress would be more ferocious still in its assaults on Mr Gore. Mr Clinton is no longer a threat. His vice-president intends to fight the next presidential election. Mr Gore is already under investigation himself for alleged breaches of campaign funding law. The Republicans would seek to destroy him the moment he crossed the threshold of the Oval Office. No, whichever way you look at it, the world has a while to wait before it *can again look to US* leadership.

Barring another Monica Lewinsky, my guess is that the American people will decide to live with a flawed leader who happens to have been a pretty good president. The spectacle of Mr Clinton turning his nation into a vast personal confessional is not a happy one. But he is owed a fair trial. The rest of us will reflect that the real tragedy of the Clinton presidency lies in what might have been.

LETTERS TO THE EDITOR

Universal reform to customs procedures overdue

From Mr John Raven.

Sir, It is to be hoped that the acute problems facing SGS ("Executives at SGS face the music", September 9) amount to something more than a blip on the profit screen of a single company.

They may well reflect a long-overdue and salutary recognition that amputating customs responsibilities for revenue assessment and collection, by employing private agencies to carry out pre-shipment inspection routines, is no substitute for radical reform and modernisation.

Lack of a reliable and reasonably effective customs administration, to secure taxes, apply trade policies, exercise border controls in the interests of public health and safety, and offer simple, easy, internationally harmonised export, import and transit formalities to legitimate traders, is a dragging economic brake on many, if not most, developing and emergent economies.

Business is looking to governments, especially those assembled in the World Trade Organisation, OECD and G7, as well as the World Bank and International Monetary Fund, to lead and finance an international drive to replace SGS-type pre-shipment inspection regimes by concerted, systematic customs reforms, backed by detailed technical assistance and training measures.

You cite Simon Marshall Lockyer of BT Alex Brown in Zurich as commenting that "analysts had always assumed that the government-testing business was high-margin, but no one had believed it contributed so much" to SGS profits. There is equally little appreciation of the costs of such services to subscribing economies.

Fees to governments take no account of burdens on traders in terms of documentation, inspection charges and penalties, to say nothing of delays and complications in complying with inspection procedures.

Savings, in phasing out pre-shipment inspection, therefore, should generate more than adequate resources to find a global, comprehensive Customs modernisation programme.

John Raven,
director-general,
International Express Carriers Conference,
Rue Joseph II,
3-1000 Brussels,
Belgium

Right perspective on work

From Ms Mary Whiting.

Sir, John Hunt ("Dream jobs that fade into reality", September 9) correctly states that all jobs eventually involve boredom and repetition. It could also be said that a career centred on selling soap powder will probably not feel fulfilling.

After a long career as an ordinary classroom teacher earning peanuts (plus teach*ing evening classes for even* smaller peanuts because I loved it), I say get a job which you feel is intrinsically worthwhile, even important, and the rest falls into perspective.

Mary Whiting,
12 Hutchings Walk,
London NW11 6LT, UK

Vision of soap-filled future

From Mrs Margaret Spong.

Sir, I was disappointed to read the outcome of Procter and Gamble's discussions on the future of advertising ("Net ads fail the soap test", August 28). I envisaged that enhanced compression technology would let me settle in front of my PV (personal viewer – a hybrid PC and TV) and surf for details of my favourite internet soaps.

This would include P and G's own serial – featuring discreet advertising of its products, allowing me to click the mouse to print out discount voucher offers.

Margaret Spong,
Wincott,
Tatlers Lane,
SG2 7HL, UK

Legislation confirms consensus on netting agreements in Japan

From Mr Shigeru Asai.

Sir, We disagree with the qualification of the situation of netting enforceability under derivative contracts in Japan as a "legal uncertainty" and even a legal "loophole" ("Japan derivative deals at risk", September 4). Notwithstanding the fact that the new netting legislation will come into effect *in four months*, that is, December 1998, this new legislation has already been approved by the Diet, and consequently, at this point in time, unenforceability of netting agreements would be very difficult to uphold before Japanese courts.

But perhaps even more importantly, it should be clear that the very purpose of this new netting legislation has merely been to confirm a previously established consensus in legal and governmental circles on the enforceability of netting agreements. Indeed, for many years a consensus of domestic legal opinions which acknowledged the legal enforceability of netting agreements in Japan on the basis of general principles under the civil code had already been established. In addition, this consensus was continuously endorsed by the Ministry of Finance, albeit in an unofficial way, as is customary in Japan. In the context of Big Bang financial reforms, the recently adopted netting legislation aims at providing more transparency with respect to financial regulations in Japan, as was desired by foreign parties who are less familiar with the intricacies of our domestic legal system.

Also, please note that for the purpose of the capital adequacy requirements imposed by the Bank for International Settlements, *Japanese financial institu*tions are allowed to calculate their exposure on a "netted" basis.

Finally, we would like to point out that the notional principal amount of a derivative contract does not reflect the risk exposure. The exposure from a derivative transaction amounts to a fraction of the notional principal amount, the latter only being used for calculating the cash flows that will actually be exchanged between the parties, hence the name "notional". In other words, LTCB has reduced the aggregate *notional amount* of its outstanding derivative contracts from Y51,500bn to Y40,000bn between March and July, not its exposure. *Its exposure should be a* much smaller amount.

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PERSONAL VIEW DOMINIQUE MOISI

The dark side of triumph

The fall of the Berlin Wall opened up a bright future. But almost 10 years on, the hopes of a new world order have failed to materialise

Who would have thought that nearly 10 years on from the fall of the Berlin Wall the world would be in such a mess?

When the wall came down in the winter of 1989, the direction of the world seemed clear. Marxism had lost. Europe, united by democracy and a free market economy, seemed destined to regain countries once trapped behind the iron curtain. The Asian continent, in spite of the dark shadow of Tiananmen Square, was full of hope and dynamism. The US was the undeniable winner of the cold war. A new world order could at last begin.

The Berlin Wall crumbled, as have the world's expectations Corbis

Far from it. We are experi*encing a crisis of the presi*dency in Washington; a near-collapse of the state in Russia; the prospect of a second Asian shock wave; a spectacular decline in the Latin American markets; a spread of nuclear proliferation in Asia; and the threat of a resurgence in terrorism.

Do all these events constitute the dark side of our inability to master our triumph of 1989?

If Russia is heading back to 1917, and the world markets back to 1929, should we then go back to 1945 to reinvent our international institutions which seem to have failed in their structuring and regulating role?

The disillusions of today are commensurate with the expectations of yesterday. The US presidency is caught between the principles set out by 18th-century French philosophers and the technology of the late 20th century, namely the internet. As a result, America is giving the worst image of itself at a time when it seems ever less willing or capable of exerting a stabilising or regulating influence on the rest of the world.

Russia, on the verge of financial collapse if not social and political chaos, has had to resort to a former key Soviet figure, Yevgeny Primakov, as the last bastion against anarchy.

In Asia, the Japanese are incapable of seriously reforming their political and financial systems and can only head towards worsening conditions. The growing prospect of a second Asian shock carries with it the worry of mounting social unrest and political instability throughout the continent.

Such an accumulation of negative events could turn into a self-fulfilling prophecy: the expectation of the worst *contributing to create* the worst.

Before looking for scapegoats or seeking global interpretations of the situation, we should ask ourselves what went wrong. Or, more precisely, where did we go wrong?

Answers are easily found. For some it is the process of globalisation itself which is responsible for the global mess we are in. The diktats of free market capitalism combined with the excesses of an unbridled democracy, both artificially superimposed on alien cultural and historical experiences, are perceived as the principal villains.

For others, the principles were right, but their implementation wrong. For example, the International Monetary Fund's recipes were correct, but its calendar dramatically inappropriate. Medicines which had to be taken for months, if not years, were forced on sick countries in a matter of days.

How can one counter these laments and recriminations of the Cassandras of our modern world? Balanced and moderating answers exist, but they presuppose an understanding of historical cycles: men make history, but they do not know the history they make.

It is futile to search for a single unifying cause of the multiple crises of the world. And it is dangerous to succumb to the temptation to reject single-handedly the imperfect control mechanisms and institutions we possess at present.

Without the US, the IMF or the World Bank, not to mention the United Nations, the world today would be in an even worse state.

This is no time for convenient simplification and self-flagellation. To the increasingly popular questions of "who lost Russia?" or "who lost Asia?" there are no easy answers but one certainty. It is above all the Russians and the Asians, those who were responsible for their daily actions. The west mostly did the right thing, but with the wrong results.

In Russia, for example, it was legitimate to support Boris Yeltsin, the president, politically and financially, and to adopt the strategy of engaging and, if necessary, containing the country.

The trouble is that we all underestimated the weight of more than 70 years of a communist experiment on a huge and backward empire.

It may prove to be the irony of history that the *coming* to power of a consummate Soviet leader in Russia may allow the necessary pause in reforms rendered inevitable by the last crisis of communism.

In the same vein, the succession of crises in Asia was necessary to expose the dangerous long-term consequences of corruption and cronyism, and the absence of effective regional institutions.

Europeans must resist the temptation of thinking that such world events will not affect them, or that the time has come for them to occupy the chair left vacant by the US. Ten years ago, Europe was the weakest and least dynamic partner of a trilateral world, squeezed between a more dynamic Asia and a more powerful America. Today, by contrast, Europeans are afraid that the euro might be too strong compared with the dollar.

The personal character flaws of President Bill Clinton have seriously damaged the image of the US in the eyes of the world and its ability to act internationally, at least in the short run. Unfortunately, the many weaknesses of America do not by themselves make Europe stronger.

The *process* of globalisation, with its inevitable interaction between apparently unrelated phenomena, has made us more aware than ever of the complexity and interdependence of our world.

Globalisation has only one true meaning and significance. More than ever, we are all in the same boat. But this does not mean that we *are powerless in charting its* course.

Let us strengthen the institutions we have rather than throwing them overboard and dreaming up new ones.

The author is deputy director of the Paris-based Institut Français des Relations Internationales and editor of Politique Etrangère. He writes here in a personal capacity.

FINANCIAL TIM

Grim choice fo Congress

Soviet men

Real trouble

FINANCIAL TIMES

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Monday September 14 1998

Grim choice for Congress

President Bill Clinton is an exposed liar, who by reckless behaviour has betrayed the dignity of his high office. He has seriously compromised his authority as a national and international leader, and created a political vacuum at the highest level of government. By his prevarication and his willingness to rely on legal niceties to mislead the courts and the public, he has subjected his fellow citizens to a miserable period of doubt and uncertainty. And there is much more to come.

Kenneth Starr's report presents evidence of conduct that the Congress could decide is a basis for impeachment. Most seriously, it makes a case that the president lied under oath both in his deposition in the Paula Jones suit and subsequently before a criminal grand jury. This would not be trivial if Mr Clinton were an ordinary citizen. Against a president, the charge is devastating.

So there can be no going back: no pretending that this never happened: no return to business as usual, much as everyone must devoutly wish such an outcome.

But although the allegations are serious, it is not clear they warrant the president's removal from office. Mr Starr has overreached himself in his report, which is far from being a restrained narrative of the evidence. Its unnecessary emphasis on the squalid details of the president's sexual behaviour lends support to the claim by Mr Clinton's lawyers that this is "a hit and run smear campaign". At times, the report stretches the evidence of wrongdoing too far, for instance when it relies on what it admits is circumstantial evidence to argue that the president tried to influence Monica Lewinsky's testimony by helping to find her a job.

The president's lawyers can make a case, both in matters of detail and in the overall argument. As they put it in their rebuttal on Saturday: "Because presidential impeachment invalidates the will of the American people, it was designed to be justified for the gravest wrongs – offences against the constitution itself."

It is now for the Congress to decide whether there is enough evidence to start this solemn process. Mr Clinton is not likely to make the task easier by resigning – and nor should he, for all the reasons argued in Philip Stephens' column on the opposite page.

An impeachment could take many months, and include the cross-examination of everyone involved. It is such a terrible prospect that the Congress might still decide to look for some kind of half-way step, such as a move to censure the president. What is needed now is a period of hard analysis of the political and legal issues, followed by bipartisan decision-making. The US and the rest of the world require nothing less.

Soviet men

If the first appointments in the new Russian government are anything to go by, its character will be clear. Yuri Maslyukov, the deputy prime minister who will be economic supremo, is a senior Communist party member and former chairman of Gosplan, the state planning agency that controlled the entire Soviet economy and presided over its disintegration. He believes in a strong role for the state, and criticised recent Russian governments for their tight money policies.

His closest ally in the desperate effort to stabilise the Russian economy is Victor Gerashchenko, who becomes central bank head for the second time, having also been chairman of Gosbank, the Soviet central bank. His last period in office saw soaring inflation and a previous collapse in the rouble's value, and he was continually at odds with Boris Fyodorov, then finance minister.

The chances of either of these former top Soviet officials setting Russia firmly back on the path to a market economy are slim. They are more likely to trigger hyperinflation by printing money and running a hefty budget deficit, in order to enable the state and semi-state enterprises to pay their wage bills. That may seem an estimable ambition – these employees have been cheated for many months, if not years. But the brutal reality is that most ought to be sacked, not paid for continuing in unproductive, or even destructive, employment.

Yet the appointment of Messrs Maslyukov and Gerashchenko may not be all bad. If, as seems most likely, they preside over another failure, and a further shrinking of the battered Russian economy, it will at least prove there can be no turning back to heavy-handed state intervention.

On the other hand, there is a chance that their experience will prove relevant. Neither believes that Russia is yet a market economy, and they are right. Apart from the financial froth in cities like Moscow and St Petersburg, and the deceptive plenty of consumer goods, virtually all imported, the bulk of the Russian economy is unreformed: a planned economy without a plan.

Mr Fyodorov is still attempting to draft anti-crisis measures to persuade the International Monetary Fund to keep lending money to Russia. He says he will not resign from the government. But he would be most ill-advised to remain in a government under Mr Maslyukov. That would simply recreate the confusion between market reformers and state planners that has undermined every administration since the Soviet Union collapsed.

The Soviet men should be given a chance to put their ideas into effect. If they fail, it may at last clear the way for much more radical market reforms.

Real trouble

Russia's devaluation and default have triggered a crisis in emerging markets that threatens to spoil Latin America's success story. Since July, Latin American stock markets have fallen 60 per cent, in dollar terms. But, given Washington's troubles, the Group of Seven leading industrial countries may be unable to support the model they preached and Latin America adopted.

Fiscal profligacy is much less common in Latin America today than in 1982. Yet all the economies have problems – with their fiscal or current accounts or with their banks – that leave them vulnerable to contagion. The most exposed is Brazil, which accounts for 45 per cent of Latin America's output. In Brazil's case, a fiscal deficit of 7 per cent of gross domestic product is the root of the instability.

This month, capital has been haemorrhaging from the country at the rate of $1bn per day. Official interest rates have been raised to 30 per cent. If pressure on the currency continues, the authorities may feel forced to raise rates further. Such vertiginously high rates are, however, likely to weaken the credibility of the defence, because they add to the government's fiscal woes and undermine the economy.

The Brazilian authorities have vowed to defend the real, fearing that a currency over-shoot and spiralling inflation would follow devaluation. Investors fear abandonment of the peg. Such expectations can easily become self-fulfilling. Colombia has devalued and Venezuela looks set to follow. Brazil is in a stronger position to defend itself. But it spent $12bn of reserves last month and has only some $50bn left.

The danger posed by a Brazilian devaluation is that contagion would spread throughout the continent, starting with Argentina. Yet if Brazil were to be forced to devalue after its reserves are exhausted, the damage would be still greater.

Since Latin American countries risk dire punishment largely because of turbulence originating elsewhere, they are understandably asking the G7 for help. The latter could provide the reserves needed to fend off currency speculation and persuade panicking investors to sit tight. But this would demand financial support on a vast scale.

Such an effort would require US leadership – a commodity in short supply. Last week Congress refused to provide $18bn to the International Monetary Fund. The funds needed to break the downward spiral of expectations would dwarf this sum. If international support on a large enough scale is not going to be forthcoming, a timely devaluation, combined with strong action on the fiscal side, may well be Brazil's best course of action.

Patching up the president

Gerard Baker looks at the options for Clinton's lawyers in countering Starr's impeachment charges

It must surely rank as the most extraordinary official document ever published by the US government. Beneath the innocuous-sounding title, "Referral to the US House of Representatives pursuant to Title 28, US Code 595", unfolds a bodice-ripping tale of passion and betrayal between an emotionally fragile young woman and a sexually aggressive older man, backed up by a colourful cast of film producers, psychiatrists, secret service agents, reporters and high-powered lawyers.

Almost by way of footnote, the report of Kenneth Starr, the independent prosecutor, published to the world last Friday, lists 11 grounds for the impeachment of the president of the US for activities "engaged in a pattern of conduct that was inconsistent with his constitutional duty to faithfully execute the laws".

While the American public and much of the world gasped and cringed at the bodice-ripper this weekend, the members of the US Congress who will decide the president's fate had to consider whether they agreed with Mr Starr's impeachment recommendations.

For all the excited talk in Washington and elsewhere of a humbled president limping through his last few days or weeks in office, the reality is that the outcome of the impeachment debate that will now unfold is far from clear.

Bill Clinton's supporters and detractors took to the television studios yesterday and at least the outlines of that debate began to take shape. Did the president's actions amount to an attempt to obstruct justice, surely serious enough to constitute the "high crimes and misdemeanours" required for impeachment by the constitution? Or were they simply a foolish and clumsy attempt to cover up an embarrassing sexual dalliance?

Even if no serious crimes were committed, should the president be urged to stand aside in acknowledgment of the fact that he lied to the American people, his cabinet and members of Congress and has lost the authority to govern? Or should he simply continue to express his remorse, and get on with doing what opinion polls still suggest the public wants him to do: serve out the rest of his term?

It was clear yesterday that all but the most partisan members of Congress have yet to make up their minds about the president's fate in the wake of the report. Those who did put their head above the parapets offered the mostly familiar routine political support for, or denunciation of, the president.

The important question that will determine the outcome of the debate will be whether the critical handful of Democrats who have so far expressed serious misgivings about the president's behaviour, will now say that they believe the evidence Mr Starr has produced is indeed serious enough to warrant his removal from office.

As of yesterday, these pivotal men and women were keeping their powder dry, but the president and his supporters could at least take heart from the fact that there was no immediate rush to condemn him on the basis of the report.

There was, in fact, widespread caution – an acknowledgment, even by some of the president's opponents, that Mr Starr's accusations were, for the time being, just that – accusations.

The report, with its extraordinary detailed and explicit sexual imagery is, no one disputes, a heavily one-sided account. Mr Starr was not obliged to include, and nor did he, any exculpatory evidence that he is understood to possess. Monica Lewinsky, for example, is widely reported to have told Mr Starr's grand jury that she did not believe Mr Clinton had been involved in any attempt to buy her silence by helping get her a job – although this is one of the 11 impeachable offences levelled by Mr Starr.

"This is the prosecutor's case. And every prosecutor that makes a case is going to make a very strong and persuasive case. We've not heard the defence," said Bob Kerrey, a leading Democratic senator who has publicly criticised Mr Clinton in the past two weeks.

The president's lawyers began the process of presenting their case at the weekend with their rebuttal of the prosecutor's allegations. The report, they said, was a "smear campaign" that had produced no evidence of an impeachable offence.

Over the next few weeks, the House judiciary committee will weigh the arguments and decide whether to start impeachment hearings. If it does, those hearings will begin almost immediately, but no one knows yet when or how they will end.

One factor that will complicate but might also assist the process is the arrival of the mid-term Congressional elections in November. There was some talk yesterday that the impeachment process could be expedited and concluded either shortly before or after those elections, but that seems unlikely.

Members of Congress will be listening closely to the views of the American public as they decide the president's fate, and the elections themselves could play an important part in the process.

> **'This is the prosecutor's case. Every prosecutor is going to make a strong case. We've not heard the defence'**

But the immediate response to the Starr report suggests that, eight months after the allegations concerning Mr Clinton and Ms Lewinsky first emerged, whether or not Mr Clinton will be impeached will depend, as it has done all along, on two factors.

First will be the credibility of the specific charges against him.

Second, if some or all of the charges are deemed to stand up, the American people and their representatives must make the quasi-political judgment about whether the offences committed are serious enough to warrant impeachment, trial and conviction of the president.

It is widely assumed that if Mr Starr's allegations of obstruction of justice and abuse of power could be proved, Mr Clinton would indeed be impeached.

On these allegations, the prosecutor gives a persuasive account of a White House that at the end of last year and the beginning of this year seemed engaged in a cover-up of Ms Lewinsky's relationship with the president. Attempts by Mr Clinton's friends to get Ms Lewinsky a job intensified dramatically in the days after she was subpoenaed to testify in the Paula Jones sexual harassment case. The gifts Mr Clinton had given her in the course of their relationship were suddenly collected from Ms Lewinsky's apartment by Betty Currie, the president's secretary, hours after their legal status had been identified as a problem. Mr Clinton had a chat with Ms Currie after he had testified in the Jones case that sounded suspiciously like an attempt by him to ensure that any account she might give would tally with his own.

But Mr Clinton's lawyers may be able to cast sufficient doubt on all of these incidents to muddy the waters. There appears to be no obvious "smoking gun" on these charges. Mr Clinton was not directly involved in the efforts to get her a job; there is no evidence he ordered the retrieval of the gifts and his conversation with Ms Currie is open to various interpretations.

But on the charge of perjury – which is the core of Mr Starr's grounds for impeachment – the evidence seems much harder to refute.

Mr Clinton is accused of committing perjury twice – once in his civil deposition in the Paula Jones sexual harassment lawsuit and once in his testimony in August before the grand jury. Mr Clinton's lawyers continued at the weekend to deny that the president had perjured himself when he denied having sexual relations, on the grounds that the type of sex he and Ms Lewinsky had fell outside the narrow definition given in the Jones case.

But even some of Mr Clinton's supporters believe this defence is untenable. They fear the American public simply will not accept the semantic contortions and will instead agree with Mr Starr that there was perjury.

Some presidential advisers have argued for some time that instead Mr Clinton should acknowledge perjury, apologise but say the offence does not warrant impeachment, since it was essentially lying to cover up an embarrassing sexual relationship.

Though the White House has so far refused to adopt that line, Mr Clinton's lawyers at the weekend appeared to leave open the possibility that he might yet take this approach.

"Even if Congress concludes, the American people concludes at the end of the day that the president's efforts to answer narrowly and carefully in fact constituted false testimony, does that, in the context of a private lawsuit not going to the public work of the president and his role as a constitutional official, justify beginning the impeachment process? And I think they're going to conclude the answer is no," said Charles Ruff, the White House counsel.

If perjury is eventually acknowledged, the hope is that it will still not be seen as enough by the public or Congress to warrant impeachment. Mr Clinton's political advisers believe the public has no appetite to impeach the president over what it seems inclined to regard as the reprehensible but not criminal acts of a man trying to keep his sexual activities covert.

Some in the White House argue Mr Clinton should offer some kind of "plea bargain" with the Congress, by which he would be punished with a censure or perhaps even a fine in exchange for dropping the impeachment process.

This may be Mr Clinton's only viable strategy – legal survival at the cost of political near-destruction. The racy detail of the Starr report ensures that, as impeachment proceedings drag on, they will irreparably damage the president's standing. Even if only half-true, the report clearly reveals Mr Clinton to be a morally challenged, immature, reckless individual who treated at least one woman with something close to emotional abuse. If he survives the impeachment process, it is not much of a legacy.

OBSERVER

Helmut's hitmen aim low

The normally staid tone of German politics has been stretched more than a little in the current election campaign, but the *Junge Union*, the youth wing of Chancellor Helmut Kohl's CDU, may have gone too far.

Just up the street from CDU headquarters in Bonn, a campaign poster depicts three women giving the thumbs-down to Kohl's Social Democrat challenger Gerhard Schröder. The caption is: "Three women can't be wrong, Schröder is the wrong man". It is a clear reference to Schröder's three divorces: he recently married for the fourth time.

The poster breaks a long German tradition of ignoring politicians' private lives, even under election campaign duress, so it may reflect desperation among some CDU supporters: the party is still trailing in the polls, and there are only a couple of weeks until polling day.

The Junge Union insists that the poster "says a lot about Schröder's character and his responsibility". And the question of taste? "As a youth organisation we can afford to be a bit naughty."

The grown-ups in the CDU seem to be taking a relaxed view of the youngsters' antics: it's nothing to do with us, was the official line. That is probably true – Kohl does, after all, keep on calling for a clean campaign.

Trigger happy

It isn't only in Germany that political campaigners are pushing the boundaries of taste.

What is one to make, for example, of Tim Brooks, a mortgage marketing executive and former Marine who's a Republican candidate for the Maryland House of Delegates in the November polls?

Fear of gun crime is a big issue, and political violence isn't unknown in the US: it's not so long since the Oklahoma bombing trial, after all. But there is Brooks, large as life and twice as well-armed, on a television spot wearing gunfighter garb and toting a six-shooter and a shotgun. "Seen any liberals lately?" he asks. Very droll.

Poll poser

Is Biljana Plavsic, the Bosnian Serb president embraced by western governments over the last few years as a bulwark against ultra-nationalists, falling out of favour?

In the run-up to the weekend's elections – no results yet, but she's likely to be comfortably returned – the 68-year-old former biologist showed worrying signs of turning back to her roots: as a nationalist ideologue during the country's civil war.

There's been more nationalist rhetoric and virtually nothing about a multi-ethnic Bosnia. Her Sloga (Unity) party still contains hard-line nationalists, more wedded to the aid money that accompanies compliance to the Dayton peace process than to the ideas behind it – such as the return of Moslems and Croats to Serb-ruled territory and *vice versa*.

Diplomats are waiting to see whether Plavsic has just been making noises designed to win votes in ethnically divided Bosnia. However, there are signs that Plavsic has other things on her mind. In a keynote speech recently, she boasted of her government's finest achievement – that that more Serb children were going to church.

A devout Orthodox Christian, Plavsic always wears a large, bejewelled cross. Another hangs inside her official limo. Said one diplomat: "Each time I go into her office there seem to be more icons." Now that the polls have closed, the west hopes the Dayton deal will be treated with similar respect.

Yard bid

Antonis Lelakis, a shipowner and hotelier from Crete, has kept a low profile since his luxury cruise line, Regency Cruises, went bust a couple of years ago.

Among his debts was about $12m owed to state investment bank ETVA. While the good times rolled, Lelakis rented Avlis Shipyards, a small repair yard, from the bank for a paltry $170,000 a month to keep his cruise ships looking glitzy.

ETVA, which has a reputation for being kind to shipowners, gave Lelakis a generous deal when he fell behind with the rent, restructuring the debt on easy terms. But after he failed to keep up the payments, the bank put the yard up for sale.

With business booming at other Greek shipyards, ETVA expected a clutch of offers. But only one firm bid came in, from Hotel and Tourist Programming – a company the bank had never heard of.

A bit of sleuthing revealed that Lelakis's wife was a board member of HTP. So much for being kind to shipowners in distress.

Deus ex machina

Russia's rueful reformers, who have seen their dreams of vibrant market economy crumble, are seeking relief in black humour. The latest joke goes as follows: "What are the realistic and optimistic scenarios for reform in Russia?" a student asks his economics professor.

"Well, the realistic scenario is that God comes down from heaven and reforms Russia," the professor replies.

"And the optimistic?"

"Russians do it for themselves."

The Financial Times

100 years ago

Assassination Of The Empress
By the dastardly assassination of the Empress of Austria at Geneva on Saturday it is highly possible that Lucchini, the Italian maniac who committed the deed, has altered considerably the history of Europe. The Austro-Hungarian Empire has been held together for years only by the personality of the popular Emperor Francis Joseph, and such a terrible blow as he has now suffered can hardly fail to hasten the end of the aged Emperor's life. It has been full of trouble, and he has suffered with great fortitude. [He died in 1916].

50 years ago

Talks On European Union
Paris, Sept 13. A European economic conference would be called in Brussels early next year to consider potential benefits of European Union, it was announced here today by Mr Duncan Sandys, who presided over meetings during the weekend of the International Committee of the Movement for European Unity. "There has been too great a tendency to regard the economy of the Continent as being merely the totalling up of the economies of the individual countries," he said.

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THE LEX COLUMN

Gorenomics

On Wall Street, Alan Greenspan, Federal Reserve chairman, and Robert Rubin, treasury secretary, are routinely credited with maintaining a strong US economy. But faced with the possibility of losing President Bill Clinton through impeachment, it is beginning to dawn on Wall Street that Mr Clinton has proved an exceptionally successful pro-business president who has fostered free trade and balanced the budget.

The prospect of his replacement by President Al Gore, still widely perceived as a bit of a tree-hugger, is therefore not entirely appealing to the US business community. But Mr Gore seems keen to improve his business credentials. Already hot on technology, he is getting up to speed on economics and has recently embarked on an effort to win friends in American business circles through power-breakfasts with the likes of George Soros and Steve Rattner of Lazard Frères.

Furthermore, in recent interviews Mr Gore has expressed strong support for open markets and has seemed to edge away from the fossil fuel tax proposals in his 1992 book. In any case, Mr Gore's environmental concerns would hardly be top of the agenda in an administration faced with a more immediate need to restore political stability and tackle global market and economic problems.

In all likelihood, a Gore presidency would mean more Clintonomics. But despite the further damage to Mr Clinton's presidency inflicted by the Starr report, Republicans in Congress may well decide that they would rather, in the next presidential election, fight Mr Gore as vice-president of a discredited administration than as incumbent president.

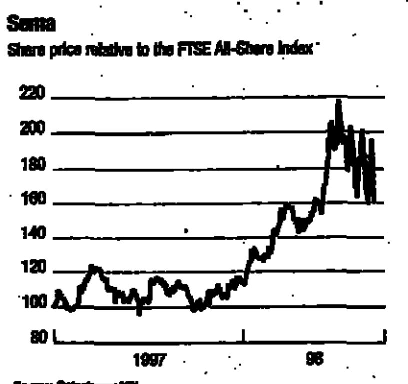
German elections

The Christian Social Union's retention of its symbolic majority in yesterday's Bavarian elections will bolster Chancellor Helmut Kohl for the last fortnight's campaigning. Notwithstanding his failure to bring unemployment below 4m, Mr Kohl's perceived dependability at a time of global economic turmoil may yet allow the CDU to bridge the Social Democratic Party's narrowing lead in the polls.

Although a red-green alliance may still win the day, an SPD-CDU grand coalition is looking increasingly possible. This would be good news for investors hoping for business-friendly policies. SPD plans to reverse the few micro-economic reforms of the Kohl era – such as trimming sick pay and pension levels, and making it easier to fire (and hence hire) workers – are not encouraging. Inside government, the CDU should be able to contain Gerhard Schröder's paternalism.

And while a grand coalition might be unstable, there would be scope at last to overhaul the tax system without cynical SPD opposition. Lowering taxes and removing loopholes should improve long-term growth prospects. And lower capital gains taxes should help companies restructure by selling cross-shareholdings. Despite its shortcomings, a grand coalition looks business's best bet.

Sema
Share price relative to the FTSE All-Share Index



Source: Datastream/ICV

Malaysia

How do you take people's minds off an economic crisis? Throw a fabulous party is Malaysia's answer. If the near $5bn the country is spending on the Commonwealth games was the extent of its binge, it would not matter too much. The snag is that Mahathir Mohamad, the prime minister, is taking the same approach to managing the entire economy. In the days since he slapped on capital controls, interest rates have been cut and banks have been told to step up their lending. Dr Mahathir has also eased the restrictions on lending to property and is considering doing the same for shares.

The party spirit may be good for the economy in the short run. But it is extremely risky. There is, after all, a property glut and the banks are already weighed down by bad debts as a result of years of lending for unproductive investment. Even as things stand, non-performing loans are projected to reach 25-30 per cent of total loans at the peak. They will surely now go higher still.

But Dr Mahathir has an answer for this too. Why not change the way non-performing loans are calculated – say only counting those that are nine rather than three months late? Again, that may sweep the problem under the carpet for a while. But eventually Malaysia will have to pay the price for cleaning up its banks.

The problem with fabulous parties is that they typically end in almighty hangovers.

Sema

If inclusion in the FTSE 100 is supposed to be the stock market's equivalent of a blessing, Sema must be casting around for the wicked godmother. Since becoming a blue-chip Footsie stock, its shares have fallen some 20 per cent.

Of course, a FTSE 100 baptism is often followed by some froth being blown off the shares. But Sema also disappointed with its interim results. Old-school investors may blink at the thought of a "disappointing" 19 per cent jump in profits. But when ratings are sky-high, as in information technology, earnings momentum is crucial. And Sema's results, with its 9 per cent increase in turnover, did not provoke the upgrades to analysts' forecasts investors in the sector now take for granted.

Sema, like Logica and CMG, is essentially a service company, handling large outsourcing contracts for companies and tailoring IT systems for specific industries like banking or telecommunications. No-one is questioning the robust growth in this business. Spending on IT in western Europe as a proportion of gross domestic product is probably still only half that of the US. But even after Sema's share price fall, its rating is still not cheap. Its shares trade on a forecast price/earnings ratio of around 37 for 1999, still a premium to Logica of nearly 10 per cent. According to some models, that rating is sustainable if annual earnings growth over the next three years or so gears up to closer to 25 per cent.

CLEAR VICTORY FOR THE CHANCELLOR'S CHRISTIAN SOCIAL UNION ALLIES

Bavarian poll boosts Kohl's campaign for re-election

By Peter Norman and Ralph Atkins in Bonn

Helmut Kohl's campaign for re-election as German chancellor on September 27 received a much-needed boost yesterday when his Bavarian allies scored a clear victory in the state's elections.

The Christian Social Union and Edmund Stoiber, the state's prime minister, achieved their target of an absolute majority, according to early computer projections.

The CSU share of the vote appeared close to the 52.8 per cent of the previous state election in 1994, prompting party leaders to hail the result as a great victory against the 18 other parties that fielded candidates.

The opposition Social Democratic Party (SPD), which had hoped to add one or more percentage points to its previous 30 per cent, saw its share of the vote drop to just over 29 per cent, according to projections two hours after polls closed. Renate Schmidt, the SPD candidate, said she had hoped for more. The environmental Greens, a potential coalition partner of the SPD at national level, lost support, winning about 5.5 per cent of the vote compared with 6.1 per cent previously.

Mr Stoiber called the result "a clear defeat" for Gerhard Schröder, the SPD challenger to Mr Kohl in the general election. Mr Schröder, who campaigned strongly in Bavaria, said the result "corresponds with my expectations, not my hopes".

Mr Stoiber said it was a vote for a "strong Bavaria" and the CSU's tough line on law and order and foreign immigration would boost Mr Kohl's prospects. "We can win the general election," declared Erwin Huber, Bavaria's CSU finance minister, as early results were announced.

For the SPD, Franz Müntefering, the party's general-secretary, said he was sure the SPD would be the biggest party after the general election and that Mr Schröder would be chancellor.

While Peter Hintze, general-secretary of Mr Kohl's Christian Democratic Union, said voters were returning "in large numbers" to the CDU/CSU, political analysts said it was uncertain whether the Bavarian result would swing support nationally behind the chancellor.

Mr Stoiber was able to capitalise on high personal approval ratings and campaigned strongly on his record as a successful prime minister in a state with strong growth and relatively low unemployment. Mr Kohl and his CDU played only a marginal role in the state election campaign.

The far-right Republican party, with support of about 3.7 per cent, failed to clear the 5 per cent hurdle needed to enter the state parliament, according to projections. The Free Democrat Party, the junior partner in Mr Kohl's Bonn coalition, failed to enter the state parliament, winning only 1.7 per cent of the vote.

Kohl set for final push, Page 2
Observer, Page 15
See Lex

Japanese local authority to declare 'financial emergency'

By Gillian Tett in Tokyo

A Japanese prefecture that includes the industrial city of Yokohama will declare a "financial state of emergency" today because of the deterioration in its finances.

The announcement by Kanagawa near Tokyo is intended to help win public support for a local government decision to cut public projects despite central government's plan to raise public spending.

The declaration highlights the growing pressures faced by heavily indebted local administrations. If other local administrations copy the move, it would deal a further blow to the economy, which is in its deepest downturn since records started in 1955, according to data published on Friday.

Earlier this year the government announced a Y16,700bn ($115bn) stimulus package, including an estimated Y7,700bn of additional spending on public works, insisting this should allow the economy to rebound. But there has been no sign of a surge in public spending projects in the data up to July.

Eisuke Sakakibara, Japan's vice-minister of finance for international affairs, said this reflected a normal "five- or six-month time lag" in public spending. The delay has prompted fears that some local authorities, which usually implement about 75 per cent of public spending schemes, are dragging their feet over the plans.

Mr Sakakibara said any objections could be overridden. "Central government will use every type of leverage and arm-twisting to make sure that local governments spend [the stimulus package]."

The state of local government finances means that some authorities may fight the plans. Although most public projects are funded centrally, some are funded by local government, and could thus be blocked.

Sawako Takeuchi, a member of the government's Economic Strategy Council said: "Local governments have serious deficits and do not want more public works."

The size of these deficits is difficult to assess, but their fixed expenses are estimated to have been around Y37,000bn in fiscal 1997, while local tax revenues were around Y35,000bn, according to Kunji Okue, analyst at Dresdner Kleinwort Benson.

"I don't think that Kanagawa is in the worst position. Places like Osaka have huge problems," said Mr Okue. The Tokyo and Osaka regional governments have indicated they may refuse to raise public spending."

The Kanagawa government will release data on its finances today. The shortfall in tax receipts so far this year has been about Y70bn, against Y1,900bn revenues projected for fiscal 1998.

It will then "seek understanding from residents over the inconvenience caused by cuts in spending." The governor will give up his bonus and ask all senior officials to accept a 10 per cent bonus cut.

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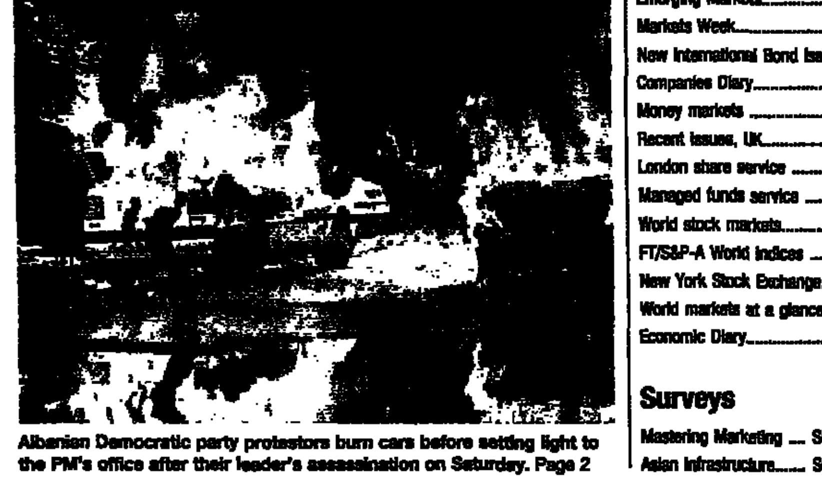

Albanian Democratic party protestors burn cars before setting light to the PM's office after their leader's assassination on Saturday. Page 2

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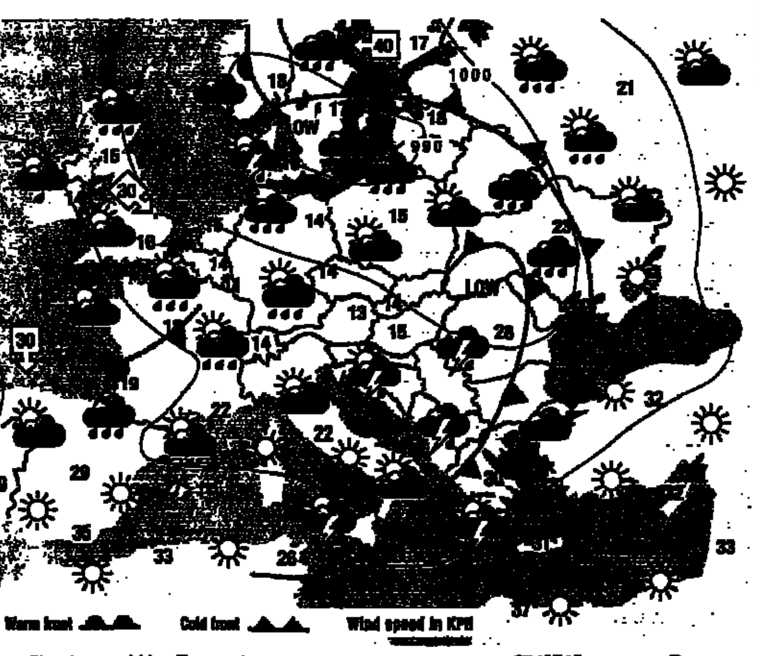
FT WEATHER GUIDE

Europe today

Much of central, western and northern Europe will remain unsettled and cool. Strong thunderstorms are likely to develop over Sicily, western Greece and the Balkans. Germany, Switzerland, Austria and southern Scandinavia will be very cool and showery. Only northern Italy, western France and the south of the Iberian peninsula will be dry with good sunshine.

Five-day forecast

It should gradually become a little warmer across central and western Europe over the next few days, although it will remain unsettled and showery until the middle of the week. The western Mediterranean should remain mostly dry, sunny and warm. Eastern Europe will turn cooler during the week as rain and showers continue.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	42
Accra	Cloudy	27
Algiers	Fair	33
Amsterdam	Shower	15
Athens	Fair	30
Atlanta	Sun	32
B. Aires	Fair	15
B.ham	Shower	15
Bangkok	Shower	33
Barcelona	Fair	28
Beijing	Shower	26
Belfast	Shower	14
Belgrade	Rain	18
Berlin	Rain	14
Bermuda	Shower	30
Bogota	Cloudy	20
Bombay	Fair	31
Brussels	Rain	14
Budapest	Shower	15
C.hagen	Shower	16
Cairo	Sun	35
Caracas	Cloudy	31
Cardiff	Shower	15
Casablanca	Fair	25
Chicago	Rain	26
Cologne	Rain	14
Dakar	Thunder	29
Dallas	Thunder	30
Delhi	Rain	27
Dubai	Sun	39
Dublin	Fair	14
Dubrovnik	Thunder	20
Edinburgh	Shower	16
Faro	Sun	30
Frankfurt	Rain	13
Geneva	Shower	14
Gibraltar	Sun	28
Glasgow	Shower	15
Hamburg	Rain	15
Helsinki	Shower	17
Hong Kong	Shower	29
Honolulu	Fair	32
Istanbul	Sun	30
Jakarta	Cloudy	33
Jersey	Shower	16
Johannesburg	Fair	19
Karachi	Sun	35
Kuwait	Sun	42
L. Angeles	Sun	26
Las Palmas	Shower	26
Lima	Cloudy	19
Lisbon	Fair	29
London	Shower	16
Luxbourg	Rain	11
Lyon	Shower	16
Madeira	Fair	29
Madrid	Fair	29
Majorca	Fair	27
Malta	Thunder	29
Manchester	Shower	14
Manila	Rain	33
Melbourne	Fair	16
Mexico City	Cloudy	27
Miami	Thunder	31
Milan	Fair	21
Montreal	Fair	25
Moscow	Fair	21
Munich	Rain	12
Nairobi	Fair	27
Naples	Shower	24
Nassau	Shower	32
New York	Fair	28
Nice	Sun	22
Nicosia	Sun	32
Oslo	Rain	16
Paris	Shower	16
Perth	Fair	16
Prague	Fair	14
Rangoon	Shower	31
Reykjavik	Fair	10
Rio	Fair	22
Rome	Fair	22
S. Frsco	Sun	25
Seoul	Sun	30
Singapore	Cloudy	31
Stockholm	Rain	17
Strasbourg	Rain	13
Sydney	Sun	23
Tangier	Fair	28
Tel Aviv	Sun	33
Tokyo	Fair	29
Toronto	Fair	29
Vancouver	Fair	20
Venice	Shower	19
Vienna	Shower	13
Warsaw	Shower	15
Washington	Fair	31
Wellington	Shower	14
Winnipeg	Fair	21
Zurich	Rain	13

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INSIDE

Investors still to be convinced of Swisscom's attractions

By announcing the price range for the sale of its Swisscom stake, the Swiss government has pressed the final button in what may well be Europe's largest IPO this year. But the telephone group must still convince investors that it has changed from a sleepy incumbent operator into an aggressive global competitor. **Page 20**

Saab reveals latest shake-up plans

Saab Automobile, the Swedish carmaker that is 50 per cent-owned by GM of the US, is considering expanding its product range and upping output by up to 20 per cent next year in its latest attempt to return to profit. Robert Hendry (left), chief executive, and almost 20 other managers finalised the plans at a three-day strategy meeting that ended yesterday. Mr Hendry predicted a full-year profit being posted in 1999. **Page 20**

UK tanks groups discuss link-up

GKN and Alvis, two of the UK's three tank makers, are negotiating to combine their armoured vehicles activities. The plans for a merged listed company may be disrupted, however, by Vickers, which is believed to be considering a bid of about £200m ($330m) for Alvis. **Page 18**

Hungarian stocks feel Russian chill

Though Hungarian officials assert that Hungary is a western orientated country that maintains only minimal links with Russia – the country accounts for only 5 per cent of total exports – the companies hardest hit by the share price downturn have been those with strong exports to Russia. **Emerging Markets, Page 22**

Spreading old money into new hands

The forthcoming demutualisation of two of South Africa's venerable life assurance groups will change the face of the Johannesburg Stock Exchange by turning thousands of black South Africans into first-time shareholders. The issues are part of a much wider restructuring of corporate South Africa. **Market Movers, Page 19**

Testing time for investors in Brazil

Anything that worsens Brazil's fiscal position will not help investor confidence. President Henrique Cardoso (left) has tried to calm fears that he may resort to shock measures. But on Thursday he said there would be no further interest rate rise hours before rates were raised. Nothing, now, was ruled out. Concerns over how Brazil will foot the cost of its debt reservicing bill have since surfaced. **International Bonds, Page 23**

FT GUIDE TO THE WEEK

– full listings Page 36

EU-US relations
The Centre for European Policy Studies meets today in Brussels to discuss relations between the US and the European Union.
Irish visitor
Bertie Ahern, Ireland's prime minister, is to visit China for five days from today.
Book price row
On Wednesday, the European Commission starts hearings into price fixing in the book trade in Germany and Austria.
For the beer fun of it
On Saturday, around 6m visitors will descend on Munich in Germany for the annual Oktoberfest, the world's biggest beer festival.
Chicago launch
The Chicago Mercantile Exchange is scheduled to launch its Globex2 electronic trading system on Sunday.

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Banks plan boost for Paris bourse

Senior post may be created to defend French interests

By David Owen in Paris

French banks plan to take a bigger role in the direction of the Paris stock exchange in an effort to strengthen its political muscle.

A senior post at the exchange or in the French financial community could be created to defend national interests as the concentration of European financial markets continues, with a decision made as soon as next month.

Michel Freyche, head of the French bankers' association, last week hinted at the move, when he suggested that French banks needed to become more involved in defending the interests of Paris.

The concern within the financial sector underlines the growing importance of financial markets to French banks, many of which have extensive merchant banking and broking arms.

The initiative is a further indication of the outrage in the French financial establishment at being cut out of July's ground-breaking deal between the Frankfurt and the London stock markets to form a single European forum to trade equities.

In July, Mr Freyche had spoken out strongly against the Anglo-German deal, describing it as a "blow for the euro" and an "unfortunate precedent". He also claimed it was an abuse by Frankfurt of its position as the site of the European Central Bank.

It is understood that if Frankfurt and London refused to open the door to possible French involvement in their arrangements the association would seek to bring about pressure from France at a political level.

Earlier this month, Jean-François Théodore, chairman of the Société des Bourses Françaises, criticised the Anglo-German deal at a Paris conference of institutional investors, claiming it lacked substance. He added that agreement was paradoxical, as it was dominated by Frankfurt, the smaller partner.

Nonetheless, the French bankers' association said that the banks had concluded there should be "an organisation or a man" to increase Mr Théodore's bargaining power in the face of the Frankfurt-London agreement.

"We will have to put Mr Théodore in a much stronger political position to negotiate," the association said. "We think there will be a Yalta [Conference] of the European stock markets, but to get there he needs the support of the French banking community."

Cheaper share dealing, Page 7

Liffe set to reveal electronic trade plan

Fightback strategy will also be outlined next month

By Vincent Boland in Bürgenstock, Switzerland

The London International Financial Futures and Options Exchange will next month announce plans to switch to electronic trading for all its products and reveal its strategy to win back business lost to the Deutsche Terminbörse, its main European rival.

The move will mark the culmination of a strategic review of Liffe's future by Brian Williamson, one of Liffe's founders. He was rehired as chairman in July to lead its fight to become Europe's biggest derivatives market once again.

Mr Williamson said an eight-member panel had identified the crucial issues that Liffe needed to address and was now in the process of offering solutions.

The panel includes Sir Brian Pitman, chairman of Lloyds TSB, and David Hardy, chief executive of the London Clearing House, which clears transactions on the City of London's derivatives markets. It is due to set out by September 23 the choices Liffe has to make to secure its future. The final report will be put to a Liffe board meeting on October 20.

Mr Williamson said a much closer integration of Liffe and the LCH would be one of the results of the strategic review. The two organisations are already discussing greater co-operation, and Mr Hardy's presence on the review panel suggests they are working closely on Liffe's strategy.

"Whatever option we choose will necessarily involve the LCH," said Mr Williamson, who was attending an annual gathering of derivatives industry specialists hosted by the Swiss Futures & Options Association. Some participants at the SFOA meeting described the clearing house as Liffe's "trump card" in its battle with the DTB because of the importance of a highly efficient clearing and settlement system to the exchange's users. Liffe owns 17 per cent of the LCH while London's other derivatives markets and banks in the City own the rest.

Mr Williamson said that over the next two weeks he would have consulted with firms responsible for 80 per cent of Liffe's business. Their support will be crucial to the exchange's success in reinventing itself and becoming more competitive than its rivals. Some companies want electronic trading introduced almost immediately. "Every day that Liffe isn't electronic it will see business flowing elsewhere," said one participant at the Bürgenstock meeting.

The DTB and Soffex, the Swiss derivatives market, used the SFOA meeting to formally launch Eurex, the alliance they announced a year ago. Trading on Eurex begins on September 28.

Leading the review: Liffe chairman Brian Williamson Picture: Colin Beere

Disney warning sours Hollywood mood

By Christopher Parkes in Los Angeles

Hollywood's last week of summer, which started in festive mood as the film industry celebrated a record-breaking season, ended in sour spirits when Walt Disney issued a profits warning after the markets had closed on Friday.

The industry's leading light said it would take a two cents a share charge in the final quarter to the end of this month, and forecast full-year earnings as much as five cents a share below Wall Street's downsized expectations. After rising during the day, Disney stock – which had dipped almost 20 per cent in the previous two weeks – dropped almost 5 per cent in after-market trading.

The warning brought home to the US entertainment industry the risks of doing business in Asia, singled out by Disney as the primary reason for the charge. But it also reminded entertainment industry investors that cutting Hollywood's high cost base is not cheap.

While offering few specific details other than the scrapping of Disney Fest – a travelling show-cum-shop shipped off to Asia last year – company officials said most of the costs would fall in restructuring consumer product operations in the Asian market. An economic report published at the weekend by the Los Angeles-based Milken Institute suggested the Asian slump would continue to have a severe impact on the Californian economy until at least the end of 2000.

The impact of the economic crisis across the area on Disney's profits and ambitions is still unclear, but United Pictures International, a leading film distributor, has reported home video rentals in the region are 40 per cent lower than a year ago.

For Disney, which counts Japan as its most successful overseas market, and China as the next big thing on its corporate agenda, worse may yet follow. It is still looking at ways to tackle its troubles in Asia and cut costs elsewhere.

Disney films took more than $520m at the summer box office in the US, a 21 per cent share. But according to company officials, part of the charge, which is expected to drive fourth-quarter earnings to as little as 15 cents a share after 19 cents last time, would go towards streamlining the organisation of three film studios under a single Buena Vista banner, and reducing its output of live action features to 15 next year compared with 20 to 30 recently. This processs, begun more than a year ago in response to rising film production and marketing costs, may now become more expensive.

Ironically it was the theme parks and resorts business, a spin-off from its film roots, that provided a rare bright spot in the company's performance, Disney said.

Central banks predicted to sell more gold

By Kenneth Gooding in London

Central banks, whose gold sales have been widely blamed for helping to drive down the price in August to the lowest level for 18 years, are set to report that they have sold at least another 260 tonnes.

This prediction comes from the Gold Fields Mineral Services consultancy, widely believed to have some of the best contacts in the business.

The 260 tonnes, or 8.36m troy ounces, has a market value of about $2.4bn and is equivalent to about 10 per cent of global mine production.

GFMS suggests in its latest review that 88 tonnes (2.8m ounces) of gold flowed from central bank reserves in the first half of this year.

"Early indications suggest that central bank sales will pick up in the second half," said Philip Klapwijk, managing director of GFMS. "Our information is that there has been a certain amount of forward market activity and we would expect sales to continue."

In recent years, Argentina, Belgium, Canada and the Netherlands have reported central bank gold sales. When Australia, one of the world's big producers, announced in July last year it had sold 167 tonnes (5.4m ounces), the gold price dropped to a 12-year low.

Last week, Luxembourg's central bank admitted it had sold most of its gold, estimated by Mr Klapwijk to be 11 tonnes.

The Czech National Bank revealed on Friday it had taken advantage of a rising price to sell 31 tonnes from its reserves.

"The [Czech] tonnage is pretty small and is unlikely to have a disastrous effect on prices," said Kamal Naqvi, analyst at Macquarie, the Australian bank. "The concern now is that there may be other emerging countries that may sell gold."

The price did not react to the two central bank announcements because uncertainty in the financial markets caused gold to rise during the week by $13 an ounce, or 4.5 per cent, to $293 at the close in London on Friday.

This was well clear of the 18-year low of $278.50 an ounce on August 28.

PAUL ABRAHAMS
GLOBAL INVESTOR

Taking heed of the Nikkei

Those investors in US equities expecting a rapid recovery after the Dow's near 20 per cent correction might do well to consider the performance of Japan's benchmark Nikkei 225 average since its peak in 1989.

As the average hit 38,915 in December that year, some analysts predicted there was little to prevent it reaching 50,000. The rationale was akin to the paradigm supposedly supporting the US markets – an economic system had been discovered that could deliver continuous and exceptional growth and therefore justify a market at such heady levels.

The true worth of Japan's economic system has been apparent in the scale and longevity of the market's subsequent slide. Since that peak, the Nikkei 225 has fallen 64 per cent, closing at just 13,916 last Friday. If the Dow were to perform in a similar fashion over the next nine years, by 2007 it would be stuck at 3,360 compared with its current level of 7,795.

The Nikkei 225 understates the full horror for holders of Japanese equities. The second section on the Tokyo stock exchange which includes smaller companies, has lost 72 per cent of its value since its high in July 1990, while the over-the-counter market has collapsed 83 per cent. Over the past 10 years the Nikkei 225 has consistently done better than the Topix index of all first-section shares.

The reasons for the Nikkei 225's outperformance are twofold. As a simple average of the prices of 225 stocks from the first section of the Tokyo Stock Exchange, it is not a particularly good measure. Unlike the Nikkei 300, which is barely publicised, the 225 average is unweighted. This means a company the size of Sony can be given the same value as an obscure food processing group. The constituents of the average change slowly, with only five or six dropping out each year, leaving small stocks with low liquidity, and making the average easy to manipulate.

This matters because the average is manipulated by the government. Last week, Seiko Noda, the posts and telecommunications minister, acknowledged that the postal savings bank was used for the government's "price-keeping operations", or PKO. He said Japan should not rely on PKO to boost the stock market.

But last Monday, the Nikkei 225 jumped more than 5 per cent mainly because the trust banks, on the instructions of the government, bought heavily in the market. The aim of such buying was to raise the Nikkei to its level of six months ago, some 16,527.

The government fears Japanese banks will report further losses on their stock portfolios for the half-year to September 30. This would undermine their capital bases, threaten their BIS ratios and exacerbate the credit crunch. Industrial groups with cross-shareholdings are also vulnerable to the market's decline.

Alas for the government, such intervention may be able to raise the Nikkei 225 average, but that does not save the banks whose investments are more broadly spread. In September last year, the average closed just 1 per cent below the previous six months' close, but even so most of the banks and many industrial groups revealed huge losses on their portfolios.

Why does the government continue to manipulate if its efforts move the market, but fail to achieve their aim? One explanation is that such moves do not cost much.

Kevin Hebner, strategist at UBS, argues that the monthly transaction value of the Tokyo Stock Exchange is about Y10,000bn, of which public money is about 10 per cent.

He estimates the losses on these investments are about 10 per cent – generating losses for the public purse of Y100bn. This is a drop in the ocean compared with the current emergency public spending package of Y10,000bn.

The fundamental reason why the government buys is that it cannot stop, otherwise the market will fall, possibly precipitously. That makes the policy expensive: Y100bn a month starts to add up when you spend it every month for nine years.

This may seem far from Wall Street. Certainly, there is no suggestion that the US suffers from the same level of dysfunctionality as the Japanese economy. But it is a reminder that when markets fall, catching a falling knife can be painful.

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Pilkington appoints to reassure investors

By Andrew Edgecliffe-Johnson

Pilkington, the glassmaker whose shares have tumbled by 55 per cent since June, will today announce three non-executive appointments aimed at reassuring investors about its prospects.

Sir Nigel Rudd, chairman, is hoping to reinforce the restructuring begun by Paolo Scaroni, chief executive since 1997, with the appointments of Bill Harrison, the vice chairman of Deutsche Morgan Grenfell, Oliver Stocken, finance director of Barclays, and Jim Leng, the chief executive of Laporte.

Pilkington's sliding share price has so far failed to respond to the restructuring plans, which include 7,500 job cuts.

The cost of the reorganisation, coupled with continued price competition in the float glass business, knocked Pilkington into a £100m pre-tax loss last year.

Mr Harrison is expected to bring wide experience of the City.

He was hired from Robert Fleming by Barclays in 1996, to run its investment bank, BZW, but left after 13 turbulent months, having earned almost £4m and the nickname "Attila the Brum". BZW has since been sold to Credit Suisse First Boston, Pilkington's brokers.

Mr Stocken, finance director since 1993, has shared the Barclays board with both Mr Harrison and Sir Nigel, a non-executive director of the bank.

He announced earlier this year that he would leave Barclays at the end of 1998, but remains a non-executive at MEPC, the property group, and is joining the board of Rank, the leisure concern.

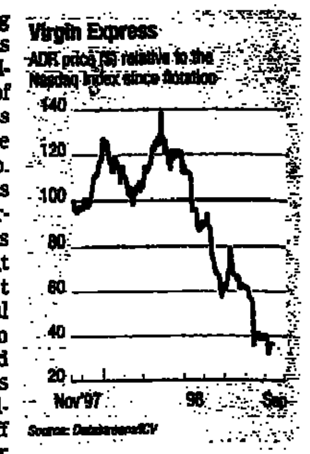
Mr Leng, the chief executive of Laporte, agreed a £611m takeover of Inspec, a rival chemicals group, last month, as the culmination of a sweeping but well-regarded reorganisation of the operation.

Since his arrival from Low & Bonar, the packaging group where he also led a restructuring programme, he has disposed of businesses worth almost £300m and sold almost half of Laporte's 110 sites.

Sir Michael Quinlan, who is a former permanent secretary at the Ministry of Defence, is retiring after six years as a Pilkington non-executive director, as is John Macomber, a US banker who joined Pilkington in 1988.

COMMENT

Low-cost airlines



The shake-out among Europe's low-cost airlines could arrive ahead of schedule. Last year's flotations of Debonair and Virgin Express now seem to have caught the airline cycle right at the top. If the European economies slow down, airlines that target the leisure customer's discretionary week-end treat are likely to be harder hit than the bigger, international airlines. Furthermore, an economic slowdown would catch these airlines just as they are aggressively expanding capacity, both to see off competition from each other and to tap consumer appetite for new routes. Europe's larger airlines, on the other hand, are being more cautious about adding capacity than last time round in the cycle. The no-frills airlines may not only be facing a challenge on the demand side. Virgin Express, for instance, has found that operating out of Belgium is not ideal for a low-cost operation. Competition between airlines may also make it more difficult to cut cheap deals at secondary airports whose bargaining position have been strengthened. If Europe follows the US pattern, many of these airlines will not survive the double whammy of a cyclical downturn and the competitive reaction of airlines like British Airways and Lufthansa. A number may end up as franchisees for the larger airlines. That may not be painless either, as demonstrated by the share price plunge of British Regional Airlines, which operates routes around Britain through BA franchises.

GKN/Alvis

Alvis's plan to buy GKN's tanks business testifies to its nifty footwork in driving European armoured vehicle consolidation. Having partnered Vickers in a consortium that lost out to GKN and others for the prize of making the next generation of battlefield taxis, Alvis needed a healthier order book to survive, notwithstanding its Hagglunds acquisition. Meanwhile for GKN to hang on to a minority stake does not make much sense.

Focusing on its faster growing powder metallurgy and pallets businesses looks more sensible. Left out in the cold, Vickers will presumably also now try to get a slice of the action, perhaps by launching a bid for Alvis or a European member of the winning consortium, such as the French GIAT. If it fails, it too should quit.

Mobile commerce terminals to go on trial next year

By Christopher Price

Can't find a cashpoint? Can't stand the queues when you do? No time to buy a train ticket? No money to buy a newspaper?

For people with a mobile phone, these questions could soon be irrelevant, as European trials early next year will allow them to download money on to "smart" credit cards from their bank accounts.

The cards, which will be fitted with a computer chip, will slot into the bottom of the phone. After being charged up with money, they will be able to be used at retail outlets with special electronic debit machines.

The Global Mobile Commerce Forum – the 75-strong body from 15 countries behind the scheme – believes the development will revolutionise retailing. It is particularly aimed at activities involving smaller cash purchases, such as eating, drinking, and buying items from shops such as newsagents.

Other applications are also being developed.

For example, rail travellers will be able to use their card and phone to buy tickets en route. The card will "buy" the ticket digitally and hold the ticket information. New ticketing technology – such as that being installed by London Transport – will then allow the card holder to pass through ticket barriers.

Some mobile phones can already enable interactive bank services to be used, including account balances, direct debit payments and statement perusal.

The new phone handsets have been developed by GMCF members Motorola, Siemens and Alactel. They are set to go on sale early next year at the time of the first consumer trials. The card technology is well advanced, with banks already issuing smart cards.

Visa, Mondex, Citibank and all the UK clearing banks are members of GMCF. All are keen to encourage consumers to reduce the amount of cash they use, which represents a substantial cost to financial institutions. Banks and credit card groups are subsidising the cost of the card processing machines for retailers.

The development has been made possible by software which enables the mobile phone network and the banks' IT systems to communicate, produced by Logica, the computer services group. Kevin Duffy, Logica's telecoms director and chairman of the GMCF, said: "This development puts a retail outlet in the customer's hand – anywhere."

Logica forecasts there will be some 5m mobile commerce terminals by 2001.

A play-off between turbulence and logic

John Griffiths on the latest stage in the fierce bid battle for Dennis, the bus builder

Will the fierce bid battle for Dennis, the UK bus chassis and vehicle builder, be decided by market turbulence, industrial logic, or both?

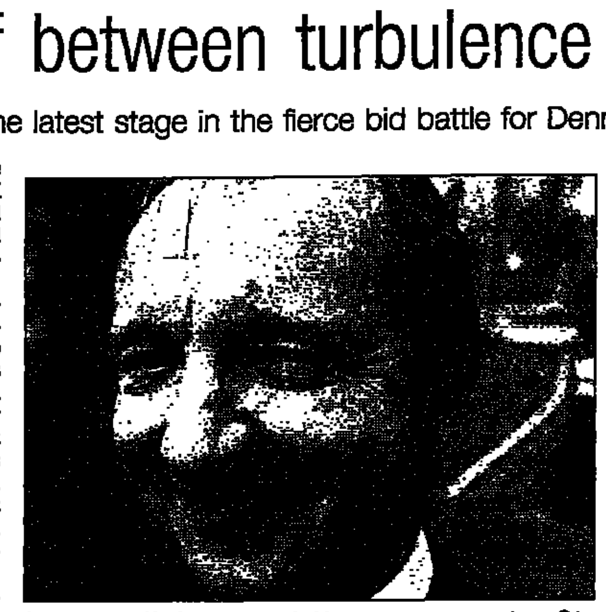
Since UK bus builder Henlys, backed by Volvo of Sweden, tabled its share swop offer for Dennis, the bid's value has slumped from £309m to £270m. It now stands at a premium of just 4.9 per cent to Mayflower's 450p per share cash offer, which values Dennis at £255m. A further slide could easily make it the more attractive bid.

Both Mayflower and Henlys want Dennis to help them become leading international bus builders. Steve Burton, chief executive of Dennis, says both are particularly keen to gain a share of the North American market, which, they believe, has good growth potential.

Dennis favoured a deal with Henlys in February, when it was first mooted, and Henlys remains its preferred partner.

Besides its UK operations, Henlys jointly owns a North American bus builder, Nova, with Volvo.

Mayflower, which undertakes a range of specialist manufacturing operations for carmakers and which owns Walter Alexander, a Scottish bus builder, has bought a US bus builder, Metrotrans, since tabling its Dennis offer. But for Mr Burton Henlys remains the more suitable partner.



Steve Burton: Henlys a more suitable partner Jason Orton

Dennis' enthusiasm for North America, says Mr Burton, is based on the timing and nature of changes taking place in its bus market. Dennis produces 2,200 bus chassis a year and says it is uniquely placed, through its technology, to seize a large slice of a 15,000-a-year market in North America. The market is made up of 4,000 urban transit buses a year and – most important to Dennis – some 10,500 so-called shuttle buses, of the type bought by hotels, airlines and other private sector concerns.

For many years these buses have been produced by a variety of body-builders on chassis produced by Ford and GM, which themselves have changed little over many years. Their design means users have to climb several steps while burdened with baggage. Pressure from bus operators for bus makers to come up with more convenient low-floor designs has coincided with similar demands from urban transit authorities for wheelchair-friendly designs.

But the small market size is of little attraction to companies such as Ford and GM, both of which are withdrawing from the sector. That leaves a big void for a bus chassis maker to fill. The revolutionary Dart single-decker bus chassis Dennis designed, which has swept the UK bus market virtually clear of rivals, is seen by the company as a potential market dominator. Dart buses are 'no-step', with their floor almost at pavement level owing to a novel axle design. Adjustable air suspension means the driver can make the bus 'kneel' even lower for wheelchair access.

Dennis' single-deckers also have a North American advantage which takes US bus operators themselves by surprise, Mr Burton adds. "We are using as standard – even in the UK – Cummins engines, Allinson transmissions and Eaton axles. They're all North American component suppliers and the service infrastructure is already in place.

With no apparent rivals in the chassis sector – most US bus companies are body-builders – Mr Burton says the 40 per cent market share Nova, as a bus body-builder, already has in the transit bus sector makes it the ideal partner for a springboard into North America. Dennis is attractive to Mayflower and Metrotrans for the same reason, as Metrotrans is also a body-builder, using traditional North American chassis.

Metrotrans is a substantially smaller operation than Nova, however, with a turnover only about one-seventh that of Nova and Prevost, a Henlys-Volvo venture in the North American coach sector.

"Yes, it would still be possible to go the Mayflower route. But it would be a lot slower and take a lot longer," says Mr Burton. "We could even have bought a US bus body maker ourselves and gone it alone."

However Volvo, the world's second biggest bus maker and one of the world's largest truck makers, has built up a 9.5 per cent stake in Henlys, and is expected to provide access to a global marketing network for Dennis and Henlys products.

Lloyds completes Countrywide purchase

By George Graham

Lloyds TSB has completed the purchase of Countrywide Banking, Bank of Scotland's New Zealand subsidiary, for NZ$850m (£262m). In addition, Bank of Scotland has taken a dividend of NZ$110m, while Lloyds will inject the same sum in capital into Countrywide.

Bank of Scotland will book a net £174m profit on the sale, which values Countrywide at 3 times net asset value and 17 times earnings.

The combination of Countrywide and National Bank, Lloyd's subsidiary, will vie for market leadership in New Zealand with the Westpac group of Australia.

GTI goes to court to enforce $19m sale

The sale by Telemetrix, the UK electronic components group, of its 57 per cent stake in GTI, its US subsidiary, has taken a further twist.

Telemetrix had hoped to dispose of the $19m (£11.5m) valued stake in GTI, which manufactures magnetic components, at the end of last month.

This was delayed when Technitrol, the purchaser, said it believed there had been a breach of the deal terms.

GTI, based in San Diego, denied this and has taken steps to obtain a court order in the US compelling Technitrol to complete the deal.

Manchester United advisers contacted over deal

By Andrew Edgecliffe-Johnson

Salomon Smith Barney, the US investment bank, has contacted Manchester United's advisers on behalf of a potential rival bidder for the football club, which last week agreed a £623m ($1.03bn) takeover by British Sky Broadcasting.

Christian Purslow, Salomon managing director and head of its European media team, said last night: "We have been acting on behalf of a client who asked us to contact HSBC (Manchester United's financial advisers) with a view to proferring a bid."

He dismissed speculation that Salomon was interested in bidding on its own account. Other bankers were sceptical about the chances of the rival bid interest turning into a serious counter-offer. One adviser close to Manchester United said: "[Salomon] is trying to do something, but nothing is happening."

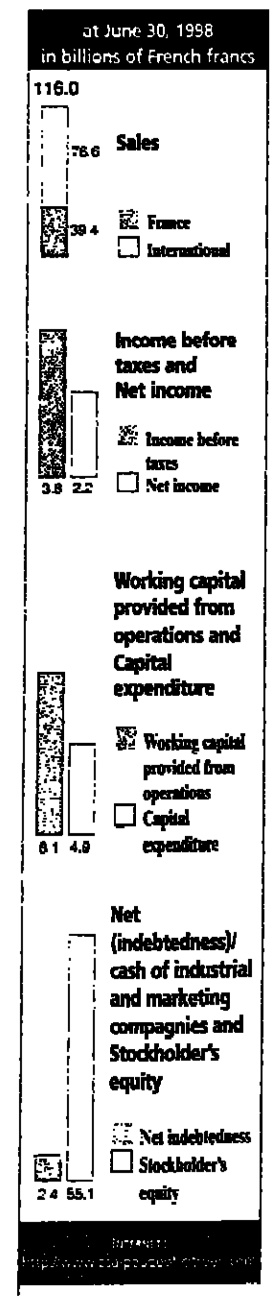
Martin Edwards, chairman of Manchester United, told BBC radio yesterday that he would listen to any rival bidders: "You are honour bound to listen to a bid. You are advised by your merchant bankers and they will tell you whether to discuss a deal or not," he said.

News of the new approach to Manchester United is likely to prolong the feverish mix of bid speculation, outrage among fans and political confusion which surrounded UK football clubs last week.

English National Investment Company, the leisure group with interests in several European clubs, is expected to pursue its interest in Tottenham Hotspur this week, even after its unofficial £80m approach for the London-based club was rebuffed.

Alan Sugar, Tottenham's chairman and 40 per cent shareholder, is expected to continue discussions with Enic.

PSA PEUGEOT CITROËN



PSA PEUGEOT CITROËN
1998 INTERIM CONSOLIDATED RESULTS

Strong Growth in Sales and Income

Sales

Consolidated sales for the first half of 1998 amounted to FF 116,035 million, up 15.2% from the pro-forma FF 100,719 million reported in first half 1997.

At constant scope of consolidation and comparable methods, first-half consolidated sales rose 13.3% in relation to the year-earlier period.

Growth was primarily led by an increase in sales volumes in a favorable European market environment. In all, the two marques sold a total of 1,158,300 vehicles and CKD units during the period, compared with 1,094,500 units in the first half of 1997.

Income

Operating income amounted to FF 4,477 million, representing 3.9% of sales. This is more than five times higher than in first-half 1997, when operating income totaled FF 782 million on a comparable basis, or 0.8% of sales. The Automobile Division posted operating income of FF 2,800 million, making for a margin of 2.8%. This improvement reflects the significant increase in units sold by Peugeot and Citroën in all markets and stepped-up efforts to reduce costs. The Automotive Equipment business achieved operating income of FF 858 million and the finance companies recorded FF 709 million.

Income before income taxes totaled FF 3,775 million. Net interest expenses came to FF 112 million, versus FF 28 million the year before, due to expenses related to the acquisition of Bertrand Faure.

After income tax of FF 1,519 million, net income before minority interests amounted to FF 2,256 million and net income totaled FF 2,222 million.

Finances

Working capital provided by operations came to FF 8,068 million, representing 7% of first-half sales. Gross capital expenditure was held to FF 4,896 million, compared with FF 5,155 million in first-half 1997.

After the acquisition and consolidation of Bertrand Faure and Sevel Argentina, the surplus in working capital provided by operations over capital expenditure and the decrease in working capital requirement enabled the industrial and commercial companies to report cash and cash equivalents of FF 14,509 million and a net surplus of FF 2,423 million, compared with net indebtedness of FF 1,867 million at December 31, 1997.

FULL-YEAR OUTLOOK

PSA Peugeot Citroën's good results for the first half of 1998 were driven by the favorable trend in the European automobile market, which rose by 7.6% over the period, and by the dedicated implementation of the new strategic priorities defined early in the year.
For the full year, the European car market is expected to expand by around 3 %. In this environment, the quality of the two vehicle families, enhanced by the September launch of the Peugeot 206, will enable the Group to strengthen market share in Europe and pursue sustained growth in its worldwide sales. As a result, it should be able to exceed significantly the targets for 1998, i.e., an operating margin of at least 1.5% in the Automobile Division and consolidated operating income of more than FF 5 billion.

1998 INTERIM FINANCIAL RESULTS

(FF millions)	June 30, 1998	June 30, 1997 comparable methods	Dec. 31, 1997
Net sales	116,035	94,602	186,785
Operating income	4,477	782	683
Income (loss) before income taxes	3,775	576	(3,504)
Net income (loss) for the period	2,222	505	(2,768)
Working capital provided from operations	8,068	7,038	10,891

GKN and Alvis talks on merger of vehicle side

By Andrew Edgecliffe-Johnson

GKN and Alvis, two of the UK's three tank manufacturers, are negotiating to combine their armoured vehicle activities. The plans for a merged listed company may be disrupted, however, by Vickers, which is believed to be considering a bid of about £200m ($330m) for Alvis.

The talks between GKN, the only one of the three involved in the winning consortium for a £2.8bn multi-role armoured vehicle contract, and Alvis, which also owns Hagglunds, the Swedish tank manufacturer, appear to have brought the pressure for consolidation in the industry to a head.

They come as Vickers, which is facing a fall-off in UK orders for the Challenger II, is about to announce heavy job cuts and a partial closure of one of its two tank factories in Newcastle and Leeds.

Vickers, which will announce interim results on Thursday, would not comment, but local unions and politicians believe that the Newcastle plant, which employs 600, is most at risk.

Hopes that Vickers may secure a £1bn order from the Greek government, or that orders may come from Qatar and South Africa, mean that it is unlikely to announce a full shutdown of the plant this week.

Should the talks between GKN and Alvis succeed, Nick Prest, Alvis chief executive, is expected to lead the merged company. GKN would retain a stake in the company, despite the perception among analysts that the engineering group's chief executive, CK Chow, is less wedded to the tanks business than Mr Prest or Sir Colin Chandler, chairman of Vickers.

It is believed that Mr Prest, 45, was considered earlier this year as a candidate for chief executive of Vickers. Because of Mr Prest's youth and the perception that he was too focused on defence, the job was instead given to Paul Buysse, but Vickers could offer Mr Prest responsibility for its defence arm should it bid for Alvis.

Vickers, which has about £200m of cash following the sale of Rolls-Royce Motor Cars, could afford a cash bid for Alvis, which is currently valued at £140m.

Such an offer may stand a good chance of succeeding against a merger which would offer no premium to shareholders of Alvis and GKN.

All three companies have said that the UK tanks industry needs to consolidate before they can take an active role in the expected consolidation across Europe. However, Vickers may announce closer links with Giat of France this week.

Mr Buysse will also present the results of a strategic review which he began on his appointment in May.

Changes made in David Brown directors' contracts

By Andrew Edgecliffe-Johnson and Susanna Voyle

Changes to the service contracts of three directors of David Brown, the gears and pumps business, were made the day before the company agreed a £195m ($322m) takeover by Textron of the US, according to the offer document.

As a result, Chris Cook, chairman, and Chris Brown, chief executive, could receive compensation payments worth two years' salary and benefits, one year's bonus, and two year's pension contributions. Mr Cook has a £110,000 basic salary, and Mr Brown's salary is £169,950. Anton Elsborg, finance director, could receive one year's salary, bonus, benefits and pension contributions. The payments would be triggered if the directors serve notice within 30 weeks of the change of control.

The offer document says the contract changes, made on September 3, reflected variations agreed on May 7. It also discloses that John Mowinckel, a non-executive director, is being paid £1,250 a day for "services provided in relation to the offer". The company expects to pay him for up to 20 days work.

Detailing its 290p per share offer, Textron said it plans to use David Brown as "a platform to build a global fluid and power systems business".

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ITALY TREASURY UNDETERRED BY CRISIS

Privatisation of BNL to go ahead

By Paul Betts in Milan

The Italian Treasury is pressing ahead with the autumn privatisation of Banca Nazionale del Lavoro (BNL), in spite of the international financial crisis that has shaken the Milan stock exchange and Italian bank shares.

Carlo Azeglio Ciampi, economics minister, announced on Saturday that the Treasury had constituted a hard core of stable shareholders for BNL, including Banco Bilbao y Viscaya (BBV), Banca Popolare Vicentina, and insurance company Ina.

The three groups will acquire a 25 per cent stake in BNL for a total of around L2,500bn ($1.5bn) with the Spanish bank taking a 10 per cent stake, the north Italian co-operative bank 7.75 per cent and Ina, Italy's third largest insurer, 7.25 per cent.

The Treasury intends to float its 51 per cent stake in BNL next month with a public share offer expected to raise about L5,000bn.

The concurrent decision at the weekend by the foundations of three regional northern banks merging with Credito Italiano of Milan to postpone a L8,000-L9,000bn share offer due in November because of the current uncertain and depressed situation of the stock markets is expected to give the Treasury greater flexibility over the precise timing of the BNL offer.

The three foundations controlling the Cassa di Risparmio di Verona, the Cassa di Risparmio di Torino and Cassamarca said they were pursuing the integration of their banks with Credito Italiano to form the new Unicredito banking group, but had decided to delay the sale of their new Unicredito shares because of market conditions.

The merger will give the three foundations a 37 per cent stake in the new Unicredito group. Originally, the foundations planned to float in November about 18 per cent of this overall stake. However, banking shares have since collapsed, with Credito Italiano's shares falling 36 per cent from its peak of L10,845 in April to L6,898 at the close on Friday.

In contrast, the Treasury has been anxious to avoid delaying its privatisation process. The government plans to follow the BNL privatisation with the sale of its remaining 55 per cent stake in Aeroporti di Roma and the privatisations of the Autostrade motorway group and Alitalia, the national flag carrier.

The Enel electric utility is slated for partial privatisation next year.

The Treasury in past weeks has been involved in frantic negotiations to complete the BNL core shareholding group to enable it to go ahead with its public share offer.

After rejecting an original bid by Ina for a 25 per cent stake in BNL, which would have also seen Ina's partner in the transaction Credit Suisse First Boston take a 10 per cent in BNL, the Treasury was left with only the Spanish BBV as a candidate for the BNL hard core.

The Treasury subsequently contacted several Italian banks but most were reluctant to invest in BNL.

However, after intense negotiations, Ina and the Treasury buried the hatchet and the insurer has now returned to play a leading role in BNL, reviving the possibility of a merger between BNL and Banco di Napoli.

Ina and BNL control Banco di Napoli through a joint holding company. The presence of INA in BNL's hard core is now likely to accelerate the integration of BNL and the Naples bank.

South Africa's old money spreads into new hands

Demutualisation also signals social change, writes **Victor Mallet**

Market movers

The forthcoming demutualisation of two of South Africa's venerable life assurance groups, Sanlam and Old Mutual, will change the face of the Johannesburg Stock Exchange – at least temporarily – by turning hundreds of thousands of black South Africans into first-time shareholders.

However, the demutualisations are not happening in isolation. They are part of a much wider modernisation and restructuring of corporate South Africa.

Big companies have raced to become competitive since the country opened up to the outside world following the end of apartheid, the lifting of economic sanctions and the election that brought President Nelson Mandela and the African National Congress to power in 1994.

Today, Old Mutual, the bigger of the two Cape Town-based mutual societies, announces results for the year to June.

Mike Levett, chairman, may also give more details of the demutualisation, planned next year, and flesh out the group's international strategy.

Old Mutual is negotiating to buy Albert E. Sharp, the UK regional stockbroker, for more than £40m ($67m). Last December it bought Capel Cure Myers, the UK private client stockbroker, for £80m.

Founded in 1845, Old Mutual sees a strong international presence as necessary as world markets become increasingly linked. Its objective is to become a "multi-faceted international financial services group".

Old Mutual is certainly big enough to play a role outside South Africa, and has already encountered sharp criticism from left-wing nationalists by considering a primary listing in London rather than Johannesburg.

This would make it easier to raise capital for further overseas expansion, and enable Old Mutual to escape some of the restrictions imposed by South African exchange controls.

The possibility of joining the FTSE 100 index – which would require Old Mutual to incorporate in the UK and move its domicile from South Africa – has angered the ANC's trade union allies, who regard such moves as a form of white capital flight.

However, the demutualisation of Sanlam this year and Old Mutual in 1999 will be two of the biggest "black empowerment" exercises since the end of white rule.

Unlike other empowerment deals negotiated in boardrooms by a handful of wealthy business leaders and politicians, they will benefit a large number of ordinary South Africans by handing them free shares that can be sold for cash.

Old Mutual has some 3.6m policyholders, 3.3m of them in South Africa, and it says about half are black. Sanlam, originally established as an Afrikaner empowerment group in 1918, has about 2.2m policyholders.

When compared with the estimated 500,000 to 750,000 existing shareholders on the JSE, the impact of these transactions on share ownership becomes clear.

Mike Levett: may reveal more

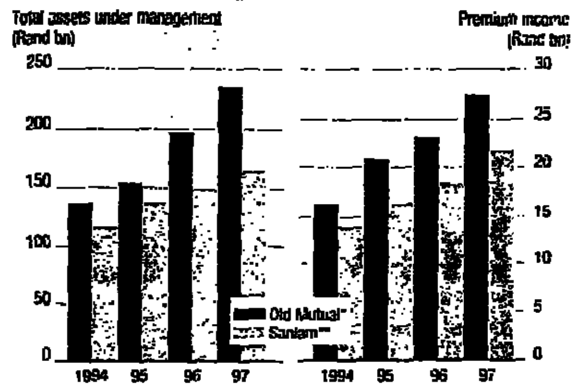
"There's a huge opportunity for us to improve a build-a-shareholder culture," Marinus Daling, Sanlam executive chairman, said last week when he announced details of Sanlam's imminent demutualisation and listing.

A total of 2bn Sanlam shares will be issued to create a company that could be worth between R14bn and R18bn ($2.2bn to $2.9bn).

The recent sharp falls in emerging markets, including South Africa, mean that neither policyholders nor the South African economy will benefit quite as much as expected from the listings.

Even so, the use of a minimum allocation of 300 shares – worth between R2,100 and R2,700, according to the R7-R9 price range calculated at the end of July – favours those of modest means.

South Africa demutualisation



Source: Companies

*Year end 30 June **Year end December 31

Sanlam's demutualisation breaks several South African financial and logistical records. It is, for example, the biggest new listing to date and last week's mailing to policyholders was the biggest ever handled by the South African Post Office from a single customer. But Old Mutual will break even these records next year.

However, Sanlam's announcement was also the occasion for a reassessment of the chances of South African financial services groups making an impression in international markets.

Earlier this year, Sanlam announced a 31 per cent fall in net earnings to R1.18bn in 1997 from R1.71bn in 1996, and last week Mr Daling acknowledged – in contrast to his Old Mutual counterparts – that his company had reined in its international ambitions.

Gensec, the asset management subsidiary into which Sanlam folded its own asset management operations this year, would seek to expand its overseas presence, but Sanlam itself needed to concentrate on matters closer to home, where the process of restructuring had focused the group too much on internal processes and not enough on its clients.

"When we talked about demutualisation last year, yes, we very much talked about internationalisation," he said. "I've subsequently come to the conclusion that this organisation is not fit enough, as I describe it, to enter international markets. I think there is work to be done to improve our position in our home base."

Hindalco set to control India Foils

By Krishna Guha in Bombay

Hindalco, India's biggest aluminium producer, is to buy a controlling stake in India Foils, the country's biggest aluminium foil manufacturer, in a Rs650m ($15.3m) deal.

The acquisition – the fourth in recent months to be announced by Kumar Mangalam Birla, chairman of Hindalco and head of the Aditya Birla group – is fresh evidence that the pace of consolidation in Indian industry is quickening as economic slowdown bites.

Mr Birla said the deal would raise Hindalco's market share in foils from 11 per cent to 55 per cent.

"It makes tremendous strategic' sense for Hindalco," he said. "It fits our plans for downstream integration and to increase the share of value added production."

Downstream integration would shelter the company from fluctuations in the price of aluminium on the London Metal Exchange and increase margins, he added.

The acquisition also secures a market for Hindalco's aluminium output. "India Foils will be a large consumer of our metal – almost 5 or 6 per cent of our production," said Mr Birla.

India Foils incurred a Rs38m loss last year after an aggressive expansion strategy came unstuck. It invested $40m in a new 6,000 tonne plant commissioned in 1997 – just as overcapacity and economic slowdown began to depress foil prices.

The company is overgeared, with a debt/equity ratio of 1.7:1 and interest charges of up to 23 per cent.

"We believe the company requires a cash infusion of Rs1.25bn to restructure its balance sheet and repay high-cost debt," said Mr Birla.

Hindalco, advised by DSP Merrill Lynch, will pay Rs650m for a 51 per cent stake, mainly by subscribing to a preference share and warrants issue. India Foil's current parent, Williamson Magor, will buy back its debt and equity interests in other group companies, injecting a further Rs700m.

Mr Birla said it would take about five years for the investment to pay back. "There is a situation of overcapacity," he said. "That is why a process of consolidation makes sense."

He said combining India Foils with Hindalco's existing foils business would bring cost savings, notably in distribution. Hindalco will also have access to India Foils' product development expertise.

Analysts said the deal, which does not require Hindalco to make an open offer, was a sensible defensive step at a time when aluminium prices were depressed and the downstream market for its products in India fragile.

However, the India Foils deal would not remove overcapacity in the Rs8bn a year foil market.

Setback for South China Morning Post

By Louise Lucas in Hong Kong

South China Morning Post (Holdings), publisher of Hong Kong's main English language daily, reported a 48.8 per cent fall in interim net profits to HK$412m (US$53m) from HK$805m last year.

Profits were dented by a HK$256m provision for the permanent diminution in value of long-term investments. Further erosion came from depleted advertising.

Recession has hit spending across the board and the slowdown in corporate activity also hurt the results.

The group is responding by making cost cuts. Kuok Khoon Ean, chairman, said: "It is widely believed that Hong Kong will continue to experience economic hardship and asset deflation for the next one to two years.

"In the face of rising unemployment and reduced consumer expenditure, the board anticipates that the company's main sources of advertising revenue will also remain depressed in the short term, particularly when compared with the record achieved in the 1996-97 financial year."

Earnings per share fell from 46.5 to 23.8 cents; or excluding the exceptional item, from 46.5 to 38.6 cents. The interim dividend is 15 cents, up from the 13 cents last year.

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September 1998

ASSET MANAGEMENT US EXPANSION

Asset Capital, Sumitomo in joint venture

By John Authers in New York

Alliance Capital, the big New York-based fund manager that is ultimately controlled by Axa of France, is expected to announce today an asset management joint venture with Sumitomo Trust & Banking of Japan, in an extension of aggressive attempts by US fund managers to expand overseas.

Alliance Capital's announcement would follow deals involving Putnam Investments, Franklin/Templeton, Prudential Insurance of America, Merrill Lynch and Salomon Smith Barney.

Sumitomo confirmed on Friday it was establishing "a business alliance with Alliance Capital" to "strengthen our investment capabilities". Alliance Capital was not initially available to comment.

The deal was understood to involve transferring part of Sumitomo's management team to work in the Alliance organisation in the US.

Japan has been a source of particular interest for US groups, despite its current economic problems, because it is undergoing financial deregulation.

They hope to take advantage of the high Japanese savings rate to convince savers to move their funds from low-interest postal accounts into equity investments.

Japanese operators, aware of the boom in mutual fund investing in the US in the last decade, have been keen to import the expertise. Joint ventures typically involve outsourcing fund management to US groups, and arranging for training in marketing and sales.

Putnam Investments' joint venture with Nippon Life, the largest Japanese life group, centred on these concerns, as did Franklin/Templeton's link with Sumitomo Life.

Two months ago, Prudential Insurance, which has one of the largest US networks of broker-dealers, launched a joint venture with Mitsui Trust and Banking that would plan, manage and sell mutual funds in the Japanese market.

Dave Williams, Alliance Capital chief executive, has made international expansion a priority for some time, but admits it has been difficult, even though the company has established offices in 17 countries. In the past 18 months, the company has announced joint ventures with companies in Italy, South Africa, Korea, Russia, Brazil and Hong Kong.

But the greatest problem has proved to be distribution. While the US has an established system of retail stockbrokers, who traditionally sold stocks but have steadily moved on to sell packaged fund management products as well, no similar network exists outside the US. In Europe, banks tend to have a "hammer-lock" over distribution.

Elscint to dispose of two units for $375m

By Avi Machlis in Jerusalem

Elscint, the Israeli medical imaging company, has bowed to fierce global competition and will sell two divisions to GE Medical Systems and Picker International, the medical technology firms, in separate deals worth a total of $375m.

The sales are the latest in a wave of cross-border deals between Israeli companies with innovative technology but weak sales capabilities, and overseas firms with a strong market presence. Analysts said the price tag – nearly four times Elscint's market capitalisation of about $100m – reflects the company's technological edge.

According to preliminary agreements announced at the weekend, Elscint, which is listed on the New York Stock Exchange, will sell its nuclear medicine and magnetic resonance (MR) division to GE Medical Systems, a division of General Electric, for $100m. Elscint also agreed to sell its computed tomography division to Picker, a subsidiary of The General Electric Company of the UK for $275m. Manufacturing facilities will remain in Israel.

GE Medical and Picker both said the acquisitions would broaden their presence in the respective fields. In addition, the deal marks a turning point for Elscint, a veteran Israeli company founded nearly three decades ago, which had revenues of $167m, but net income of only $3.3m in the first half of 1998.

Emmanuel Gill, Elscint's chief executive, said the company will now focus on "other medical fields where innovation and technology has a much stronger influence on success than the more mature market we were in so far."

He also pledged to devote more funds to develop Elscint's marketing capabilities along with its technology.

Gilad Alper, high-tech analyst at Zannex Securities in Tel Aviv, said Elscint had no choice but to sell. "Elscint couldn't realise the potential of its research and development on its own, but for these big companies the technology is very valuable," he said.

Mr Alper also predicted that some of the cash would be used by Elscint to compensate shareholders who have suffered from Elscint's poor performance in recent years.

In April, Elbit Medical Imaging, Elscint's parent company, sold its Diasonics ultrasound division to GE Medical for $228m.

Hope for GM's Saab saga

Board says Swedish car maker will report profit in 1999 after years of painful restructuring, writes **Tim Burt**

Saab Automobile, the Swedish car manufacturer, is considering plans to expand its product range and increase output by up to 20 per cent next year in the latest attempt to return to profit.

Senior executives at Saab, 50 per cent-owned by General Motors of the US, have also drawn up proposals to improve productivity at the group's plants in Sweden and strengthen its dealership network in the US.

Almost 20 managers – including chief executive Robert Hendry and Fred Stickel, Saab's new finance director – finalised the measures at a three-day strategy meeting ending yesterday.

The executives were warned that Saab would report its third successive full-year loss in 1998, but they were also told it had moved into profit in the second half amid buoyant international demand for its new 9-5 model.

Mr Hendry, appointed by GM two years ago, also predicted the company would report a full-year profit for 1999 and achieve a 13 per cent return on net assets over the medium term.

If sales next year reach expectations of SKr30bn ($3.82bn), Saab could unveil a modest but symbolic operating profit of SKr180m – equivalent to an operating margin of 6 per cent. That could signal the end of a long and painful turnround.

Saab has struggled to achieve profits ever since 1989, when GM paid $600m to acquire a 50 per cent stake and management control from Investor, the main vehicle of Sweden's Wallenberg business empire.

Since then, GM and Investor have invested about SKr11bn in the vehicle maker with precious little result. Accumulated losses have risen to SKr12bn and the company has been recapitalised four times.

"When we first arrived absenteeism was 30 per cent, there was no marketing spend, and three times as many people as required," according to one GM official.

The workforce has been cut from almost 15,000 to 9,500, and sales have grown from 93,200 to 120,000 cars. But the company would remain a minnow in the global auto industry, even if it lifted output to 145,000 cars next year.

Mr Hendry remains unashamedly upbeat. "We are now managing a growth situation; the main restructuring has been completed and we are returning to profit," he said.

Nevertheless, executives have been told that productivity must improve from 40 to 30 hours per car, and that higher volumes will be expected with little or no increase in the headcount.

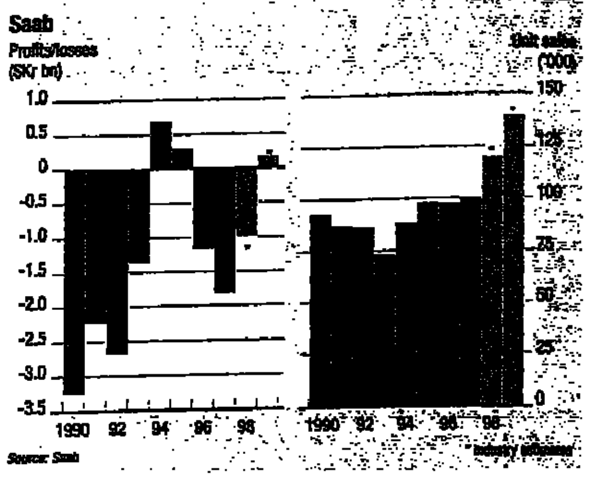
The move reflects an increasingly hard-headed approach by GM, which earlier this year moved Mr Stickel from Detroit to become Saab's finance director. It did not take him long to diagnose the root cause of Saab's problems.

"The owners made a significant investment to increase capacity at the worst time in the late 1980s, just as the market fell apart," he said. "Then they cut it back so hard it has been difficult to reinvigorate the product."

Mr Stickel, who has introduced GM working practices in areas such as design and engineering, believes Saab can live within its means by relying on two basic car platforms – one unique to Saab, and the other based on a GM platform.

To that end, he shares a dream with Mr Hendry: first, that Saab will achieve output of 150,000 cars in 2000 and 180,000 beyond that. At the weekend, the GM duo made it clear it would only achieve that by successfully launching the 9-5 station wagon next year, along with a sports car derivative of Saab's other platform, the 9-3 hatchback.

They have also ordered further development work on the successor to the 9-3, based on a GM platform, due to be launched in 2001. If demand pushes output above 180,000 units, the group will out-grow current plant capacity in Sweden.



That raises the prospect of Saab cars being assembled on GM lines elsewhere, possibly in the US, where plans are under way to increase the dealership network by 10 per cent to 220 franchised outlets.

That all looks rosy but it assumes steadily rising consumer demand in the eight markets, including the US and UK, that account for 70 per cent of group sales.

The company also has to prove it can remedy the distribution problems that undermined this year's US launch of the 9-5 and contributed to a SKr970m first-half loss.

Furthermore, new models will require additional marketing investment, one of the main factors behind recent losses. Given the cash already pumped into Saab, it is questionable whether Investor will risk throwing more money at a company generating only small returns.

The Wallenberg factor, however, could be diluted next year if GM exercises a call on Investor's remaining 50 per cent stake in the company. Although Peter Wallenberg, the family patriarch, remains passionate about Saab and visits the main plant twice a year, Investor has said it wants to concentrate on higher growth stocks.

Even if GM does not want to exercise its call, Investor has a put option in the first quarter of 2000, requiring GM to buy half its holding.

"My expectation is that GM will end up with a greater ownership," said Mr Stickel.

However, being entirely swallowed by GM raises potential dangers, particularly if Saab models based on GM platforms and produced on GM assembly lines lose their premium-brand cachet.

Mr Hendry has told Saab executives not to worry. "The biggest asset in this company is the brand name. The GM vision remains to build the brand and profitability – that does not change."

Packer to rescue Crown casino

By Russell Baker in Sydney

Kerry Packer, Australia's richest man and one of the world's biggest gamblers, is rescuing the ailing Crown, the owner of Melbourne's Crown casino, by agreeing to inject A$425m (US$256m) into the company in return for a half share of net cash-flows.

Crown will use the funds to buy back A$230m worth of potentially dilutive convertible preference shares from its 37 per cent shareholder Hudson Conway (HCO) and to repay some bank debt.

Mr Packer's privately-owned Consolidated Press Holdings and Crown have agreed in principle for Crown's casino, entertainment and hotel business to be conducted as a joint undertaking.

CPH and Crown will each be entitled to 50 per cent of the annual surplus cash-flow of the business after all operating and other costs have been met.

The bail-out package from CPH – which owns 20 per cent of HCO – coincided with Crown's announcement that it had suffered a net loss of A$350.2m for the year to June 30. The loss was due to abnormal asset write-downs totalling A$416.7m stemming from the impact of the Asian crisis on Crown's business.

HCO also reported a net loss of A$158.2m for the year after writing down the carrying value of its Crown shareholding by A$180m. HCO is controlled by Lloyd Williams, a personal friend of Mr Packer.

Mr Packer said the Crown deal "will place the casino in a strong position to weather the uncertainties of the present economic climate".

Button pushed for Swisscom IPO

International investors have still to be convinced of the company's attractions, writes **William Hall**

The Swiss government has pressed the final button for what is likely to be Europe's biggest IPO this year by announcing the price range for the sale of its 34.5 per cent stake in Swisscom.

The state-owned telephone company has undoubted defensive attractions for nervous investors. The bulk of its business is in Switzerland and the yield on its shares will be comparable to Swiss government bonds.

Its mobile phone business is immensely profitable and fast-growing, and Swisscom's earnings and dividends are set to grow at a double digit pace over the next three years.

However, the success of the Swisscom IPO is far from assured. The company has a virtually new and untested top management team and the first competitors now entering the Swiss market are only just starting to make their presence felt.

It will be up to Tony Reis, 56, an ex-IBM manager who took over as Swisscom's chief executive at the start of the year, to convince investors that Swisscom has transformed itself from a sleepy incumbent operator into a nimble and aggressive international competitor.

His task has not been helped by AT&T's decision to join forces with British Telecommunications and cut ties with Unisource, a global alliance involving Swisscom, KPN of the Netherlands and Sweden's Telia. Unisource was set up to give three medium-sized European operators the critical mass to retain multinational clients in the face of stiff competition. Until recently, Unisource appeared to be the cornerstone of Swisscom's international strategy.

The second potential concern for investors is the regulatory risk, highlighted by this month's decision by OPTA, the Dutch telecoms regulator, to order KPN, the privatised telecoms company, to cut the cost of its local and international calls by around a quarter. KPN's shares fell nearly a fifth following the news.

Recent European telecoms privatisations

	Per cent sold	Sum raised ($bn)	P/E*	Yield*
Deutsche Telekom (November 1996)	26	13.3	16.4	3.9
France Telecom (October 1997)	23.2	7.8	11.1	4.6
Telecom Italia (October 1997)	41.8**	14.9**	13.8	2.1
Swisscom*** (October 1998)	34.5	5.9	14.6	2.9

Source: Dave Rogerson. *FT estimated prospective p/e and yield at time of offer. ** Includes 9.02%, equal to $4bn, sold to 14 stable shareholders. *** Based on SFr370 offer price

Could Swisscom's above average earnings prospects, based on increasing its efficiency to KPN-type levels, be jeopardised by similar surprise interference by the Swiss regulator?

Mr Reis says the Dutch regulator's proposal to try and fix KPN's gross profit margins "sounds more like nationalisation than regulation". He is confident the same thing cannot happen in Switzerland.

He is equally confident that AT&T's break with Unisource will not endanger Swisscom's ability to service its multinational customers, the most vulnerable segment of its revenue base.

"We are here to serve customers in a way that adds value to the company," says Mr Reis, noting that rival alliances, such as Global One and Concert, have not been very successful business models in terms of profitability.

Swisscom is number seven in terms of international traffic and 55 per cent of it is with its immediate neighbours, such as Germany, France and Italy.

Mr Reis is intent on playing to Swisscom's strengths. Since he took over he has refocused its international strategy to concentrate on "home market extension" investments in France, Germany, Austria and Italy which will quadruple the potential size of Swisscom's customer base.

Swisscom has installed its own switch in New York and is expanding its so-called "hot spot" service centres for multinational clients in other key cities, such as London, Paris and Munich.

Unisource is no longer the most important part of its international strategy. "It is wrong to believe that this industry can only do business with each other if they are shareholders or involved in alliances," says Mr Reis.

He is much more interested in commercial relationships and keeping all options open in an industry that is changing very rapidly. Infonet, a global data provider in which Swisscom has an 18.7 per cent stake, is typical of the value added services that Swisscom is using to retain multinational companies.

It has also taken a more hard-headed approach to its international investments, which range from Malaysia to the Czech Republic.

Notice to Bond and Notice Holders

Notice is hereby given for the following issues that Principal Paying Agent / Agent Bank has changed to The Industrial Bank of Japan (Luxembourg) S.A. 6 Rue Jean Monnet PO Box 68, L 2010 Luxembourg tel (352) 421617-1 Fax (352) 421617-498 / 499 Telex 1259 IBJLXLU

Effective on 1st September 1998

1) The Industrial Bank of Japan, Limited Head Office has resigned the Agent:

Hankyu Corporation	JPY 20,000,000,000	7.125 per cent	Bonds 2001

2) The Industrial Bank of Japan, Limited London Branch has resigned the Agents:

Tokyo Tomin Finance (Cayman) Limited	JPY 70,000,000,000		Euro Guaranteed Subordinated Note Programme
Union Bank of Finland Ltd	JPY 10,000,000,000		Subordinated Notes due 1999
Kyodo Oil Company, Limited	USD 40,000,000	10 per cent	Guaranteed Notes due 1999
Kyodo Oil Company, Limited	USD 20,000,000	10 per cent	Guaranteed Notes due 1999
Kyodo Oil Company, Limited	USD 25,000,000	9.875 per cent	Guaranteed Notes due 2000

3) The Industrial Bank of Japan, Limited Head Office has resigned the Fiscal Agent. The Industrial Bank of Japan, Limited London Branch has resigned the Paying Agent and Replacement Agent. The Industrial Bank of Japan (Luxembourg) S.A. is appointed as the Agents:

Nissan Motor Co. Ltd.	JPY 20,000,000,000	7.2 per cent	Bonds due 1999
Nissan Motor Co., Ltd	JPY 30,000,000,000	7.125 per cent	Bonds due 2000
Kumagai Gumi Co., Ltd.	JPY 70,000,000,000	5.75 per cent	Bonds 2001
Central Japan Railway Company	JPY 20,000,000,000	5.9 per cent	Bonds 2012
Hankyu Corporation	JPY 30,000,000,000	7.125 per cent	Bonds 2000
Kyodo Oil Company, Limited	JPY 5,000,000,000 Fixed Rate	5.92 per cent	Notes due 2002

4) The Industrial Bank of Japan, Limited Head Office has resigned the Fiscal Agent. The Industrial Bank of Japan, Limited London Branch has remained as a Paying Agent:

Japan Airline Company, Ltd.	JPY 30,000,000,000	6.0 per cent	Bonds 1999
Japan Airline Company, Ltd.	JPY 20,000,000,000	6.0 per cent	Bonds 2002
Japan Airline Company, Ltd.	JPY 20,000,000,000	5.45 per cent	Bonds 2002
Japan Airline Company, Ltd.	JPY 50,000,000,000	5.6 per cent	Bonds 2003
Japan Airline Company, Ltd.	JPY 15,000,000,000	5.5 per cent	Bonds July 2005
Japan Airline Company, Ltd.	JPY 15,000,000,000	5.5 per cent	Bonds October 2005
Kobe Steel, Ltd.	JPY 10,000,000,000	3.2 per cent	Bonds 2000

5) The Industrial Bank of Japan, Limited London Branch has resigned the Paying Agent. The Industrial Bank of Japan (Luxembourg) is appointed as the Paying Agent:

Kobe Steel, Ltd.	JPY 30,000,000,000	5.1 per cent	Bonds 2000
Kobe Steel, Ltd.	JPY 30,000,000,000	5.9 per cent	Bonds 1999
Kobe Steel, Ltd.	JPY 20,000,000,000	5.75 per cent	Bonds 2003
Kobe Steel, Ltd.	JPY 10,000,000,000	6.90 per cent	Bonds 2001
Kobe Steel, Ltd.	JPY 20,000,000,000	6.90 per cent	Bonds 2000
Hankyu Corporation	JPY 20,000,000,000	5.85 per cent	Bonds 2012

Effective on 2nd September 1998

1) The Industrial Bank of Japan, Limited London Branch has resigned the Agents and appointed as a Paying Agent

Chelsea Building Society	GBP 15,000,000		Subordinated Floating Rate Notes due 2004

Dated. 14th September 1998 / The Industrial Bank of Japan (Luxembourg) S.A

Socialist Republic of Vietnam

Discount Bonds Due 2028

Notice is hereby given that the Rate of Interest has been fixed at 6.4375% and that the interest payable on the relevant Interest Payment Date, March 12, 1999 against coupon No.2 in respect of US$1,000 nominal of the Bonds will be $32.01.

September 14, 1998
By Citibank, N.A. (Global Agency & Trust Services), Agent Bank CITIBANK

CITICORP

US$200,000,000
FLOATING RATES NOTES DUE SEPTEMBER 2002

Notice is hereby given that the Rate of Interest has been fixed at 5.7125% and that the interest payable on the relevant Interest Payment Date December 14, 1998 against Coupon No. 11 will be US$144.40 in respect of US$10,000 nominal of the notes and US$1,443.99 in respect of US$100,000 nominal of the notes.

September 14 1998
By Citibank, N.A. (Global Agency & Trust Services), Agent Bank CITIBANK

NOUVO CAYMAN LIMITED
JPY 500 000 000 000
SECURED EURO MEDIUM TERM NOTE PROGRAMME
SERIES 2/98-9, TR1 NOUVO CAYMAN LIMITED
JPY 600 000 000
DIVERSIFIED JAPANESE CORPORATE RISK SECURED CREDIT LINKED NOTES DUE 09/2001
ISIN CODE : XS0090559328

For the period September 10, 1998 to March 10, 1999 the new rate has been fixed at 1.60547 % P.A.
Next payment date : March 10, 1999
Coupon nr : 1
Amount : JPY 807 195 for the denomination of JPY 100 000 000
THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST S.A.
11-13, AVENUE EMILE REUTER
L-2420 LUXEMBOURG

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 11, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7998.29	4750.00	2814.31	3624.71
Albania	(Lek)	247.947	147.250	87.2438	112.365
Algeria	(Dinar)	97.7139	58.0300	34.3820	44.2825
Andorra	(French Fr)	9.5377	5.6642	3.3561	4.3223
	(Sp Peseta)	241.633	141.500	85.0244	109.504
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Estonia	(Kroon)	22.7529	13.5124	8.0082	10.3113
Ethiopia	(Ethiopian Birr)	11.7668	6.9880	4.1409	5.3925
Falkland Is	(Falk £)	1	0.5939	0.3519	0.4532
Faroe Is	(Danish Krone)	10.8499	6.4435	3.8178	4.9170
Fiji Is	(Fiji $)	3.4365	2.0409	1.2092	1.5574
Finland	(Markka)	8.6539	5.1394	3.0451	3.9218
France	(Fr)	9.5377	5.6642	3.3561	4.3223
Fr. Cty/Africa	(CFA Fr)	953.770	566.420	335.607	432.233
Fr. Guiana	(Local Fr)	9.5377	5.6642	3.3561	4.3223
Fr. Pacific Is	(CFP Fr)	172.876	102.667	60.8289	78.3449
Gabon	(CFA Fr)	953.770	566.420	335.607	432.233
Gambia	(Dalasi)	17.2048	10.2175	6.0537	7.7996
Germany	(D-Mark)	2.8419	1.6878	1	1.2879
Ghana	(Cedi)	3910.75	2322.50	1376.09	1772.29

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.5939	0.3519	0.4532
Greece	(Drachma)	489.765	290.860	172.336	221.954
Greenland	(Danish Krone)	10.8499	6.4435	3.8178	4.9170
Grenada	(E Carib $)	4.5484	2.7000	1.5997	2.0604
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Morocco	(Dirham)	15.6545	9.2989	5.5063	7.0944
Mozambique	(Metical)	19355.8	11495.0	6810.64	8771.80
Namibia	(S A Rand)	10.5489	6.2649	3.7119	4.7806
Nauru Is	(Australian $)	2.7971	1.6611	0.9842	1.2676
Nepal	(Nepalese Rupee)	114.384	67.9300	40.2477	51.8372
Netherlands	(Guilder)	3.2063	1.9041	1.1282	1.4530
N'nd Antilles	(A/Guilder)	3.0141	1.7900	1.0606	1.3660
New Zealand	(NZ $)	3.2354	1.9214	1.1384	1.4662
Nicaragua	(Gold Cordoba)	18.2041	10.8110	6.4054	8.2496
Niger Rep	(CFA Fr)	953.770	566.420	335.607	432.233
Nigeria	(Naira)	36.8528o	21.8860	12.9672	16.7017
	(Naira)	149.021m	88.5000	52.4357	67.5341
Norway	(Nor. Krone)	12.7056	7.5457	4.4708	5.7581
Oman	(Rial Omani)	0.6483	0.3850	0.2281	0.2938

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)(4)	84.1842	49.9950	29.6223	38.1510
Panama	(Balboa)	1.6839	1	0.5925	0.7631
Papua New Guinea	(Kina)	3.9626	2.3533	1.3943	1.7956
Paraguay	(Guarani)	4748.46	2820.00	1670.81	2151.93
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vanuatu	(Vatu)	221.427	131.500	77.9144	100.347
Vatican	(Lira)	2806.65	1668.00	988.298	1272.85
Venezuela	(Bolivar)	989.262v	587.500	348.097	448.319
Vietnam	(Dong)	23416.1	13907.5	8240.02	10612.8
Virgin Is-British	(US $)	1.6839	1	0.5925	0.7631
Virgin Is-US	(US $)	1.6839	1	0.5925	0.7631
Western Samoa	(Tala)	5.1189	3.0400	1.8012	2.3196
Yemen (Rep of)	(Rial)	220.558r	130.990	77.6058	99.9560
Yugoslavia	(New Dinar)	17.4371	10.3555	6.1355	7.9023
Zambia	(Kwacha)	3371.93	2002.50	1186.49	1528.10
Zimbabwe	($)	46.7272	27.7500	16.4420	21.1769
ECU	(ECU)	1.4474	0.8596	0.5093	0.6559
SDR	(SDR)	1.22832	0.734414	0.430413	0.542811

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Francs (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97 (4) Pakistan Rupee devalued by 9% on 16/10/97 (5) Rouble rebased on 1/1/98. FT enquiries to Business Research Centre 0171 296 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times.
Friday, September 11, 1998

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ASTRA **SOCIÉTÉ EUROPÉENNE DES SATELLITES** **LUF41.8 Billion** Initial Public Offering Joint Global Co-ordinator and Joint Lead Manager of the International Offering July 1998 **Luxembourg**	EDIZIONE HOLDING **Edizione Finance S.A.** **ITL600 Billion** 2% Exchangeable Notes into Benetton shares due 2003 Bookrunner and Joint Lead Manager July 1998 **Italy**	IMPÉRIO **Companhia de Seguros Império, S.A.** **PTE17.7 Billion** Common Stock Offering Joint Global Co-ordinator July 1998 **Portugal**	mannesmann **Mannesmann AG** **DM3.3 Billion** Capital Increase Joint Global Co-ordinator and Global Bookrunner June 1998 **Germany**
STMicroelectronics **US$1.4 Billion** Common Stock Offering Joint Global Co-ordinator and Joint Global Bookrunner June 1998 **France, Italy**	METRO AG **Metro AG** **DM1.5 Billion** 0% Convertible Notes due 2013 Global Co-ordinator and Bookrunner June 1998 **Germany**	DAIMLERBENZ **Daimler-Benz AG** **DM7.5 Billion** Pay-Out and Subsequent Capital Increase Lead Manager June 1998 **Germany**	ec soft **ECsoft Group plc** **US$69 Million** Common Stock and ADR Offering Global Co-ordinator and Bookrunner June 1998 **United Kingdom**
GRAPHISOFT **Graphisoft N.V.** **DM92 Million** Initial Public Offering Lead Manager and Bookrunner June 1998 **Hungary**	AMP **Australian Mutual Provident Society** **A$2.5 Billion** Initial Public Offering Joint Global Co-ordinator and Joint Bookrunner June 1998 **Australia**	Intuit **Intuit Inc.** **US$474 Million** Common Stock Offering Joint Lead Manager and Joint Bookrunner May 1998 **United States**	Seita **SEITA** **FFr746 Million** Block Trade Arranger on behalf of the French Treasury May 1998 **France**
Volkswagen **DM3 Billion** Rights Issue Joint Global Co-ordinator April 1998 **Germany**	Allianz **Allianz AG** **DM672 Million** Capital Increase via Block Trade Joint Lead Manager and Joint Bookrunner April 1998 **Germany**	UNITEDenergy **United Energy** **A$391 Million** Initial Public Offering Joint Global Co-ordinator and Joint Global Bookrunner March 1998 **Australia**	olivetti **Olivetti S.p.A.** **ITL670 Billion** Capital Increase Joint Global Co-ordinator March 1998 **Italy**

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EMERGING MARKETS BUDAPEST STOCK MARKET SLIDES DESPITE COUNTRY'S WESTERN ORIENTED TRADE

Hungarian shares feel the chill from Russia

By Kester Eddy

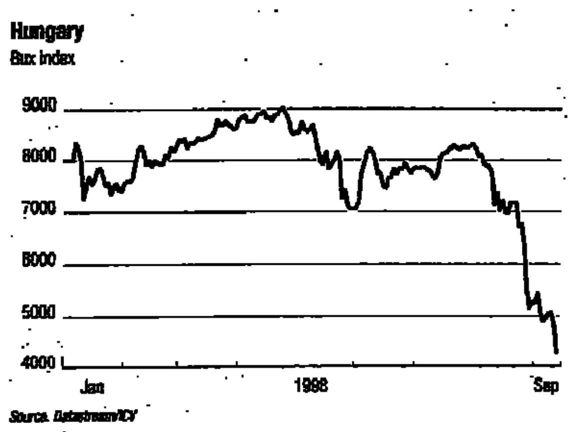
"Nah," the cabbie drawled last week as he slipped into a space in the Budapest traffic. "Times are hard, but the Russian crisis doesn't affect the man in the street. Only those that stock market it," he added, turning the noun into a verb, "and there are not many of those."

The Budapest stock market's benchmark Bux index fell a full 11.2 per cent on Friday, sliding to 4,278.62. It is now 49 per cent below its levels of the end of July, and off almost 48 per cent in dollar terms.

Hungary's private pension funds industry is, of course, still mostly at the fledgling stage, but the dramatic shake-out for the stock market over the past six weeks has affected far more people than the cabbie, and many ordinary Hungarians like him, think.

"Because the pension fund industry is only a couple of years old, and also because the average equity exposure of the funds is only 20 per cent, people think there is little to worry about," says Benedek Lorincz, managing director of CAIB Asset Management. But, says Mr Lorincz: "They are on a learning curve."

However, if the Hungarian population is unaware of the losses, in financial circles and on the floor of the exchange they are only too well informed – as shown by photos of worried investors, their faces pressed to the windows of the bourse, as they watch their paper fortunes disappear.



Source: Datastream/ICV

Despite assertions by government officials that Hungary is a western oriented country that maintains only minimal links with Russia (Russia accounts for only 5 per cent of total exports), the market is "driven by the soul", says Mr Lorincz.

"The inner voice of many western fund managers has been saying get out and stay out," he says

Hardest hit by the downturn in share prices have been companies with strong exports to Russia. Shares in Gedeon Richter, the Hungarian pharmaceuticals flagship, have dropped in six weeks from Ft18,000 to Ft5,350. But so fragile is investor sentiment that other, less-Russian exposed companies, such as Danubius Hotels, have kept in step with the market slide.

"I don't know why. Danubius should be a safe haven," says Attial Vago, an analyst with Concorde Securities, Hungary's largest domestic brokerage. Only 5 per cent of Danubius' hotel guests originate from Russia, and more than half its earnings are denominated in D-Marks. Thus, it has a buffer against any weakening of the dollar, Mr Vago points out. But few in London or New York appear to pay heed.

In fact, Budapest has dropped almost 20 percentage points more than Prague and Warsaw and the result is an undervalued market with a p/e ratio of less than 8, according to Mr Lorincz. This compares to earnings ratios of 10 in Prague and 15 in the Polish capital.

So is it a buy time? Well, for some, maybe, and indeed a few companies are afraid of predators, says Lorincz. But whether any deals will lift share prices is doubtful, due to the uncertainty of delayed effects from Russia on Western Europe and the resultant dampening of Hungary's exports in 1999.

While some analysts are only mildly bearish – John Lomax of HSBC in London has a tentative poor-case scenario which drags back his estimate of Hungary's GDP growth to 4.5 per cent from 5.5 per cent – others are more pessimistic.

Concorde's Mr Vago puts 1999 growth at 3.5 per cent, with a worst-case scenario of around 2.6 per cent. The resultant pressure on the economy means he expects the market to remain depressed until next summer – although even he stresses that he is talking of a slowdown, not a recession.

However, some observers claim to discern a silver lining to the layer of cumulus over the outlook for Hungarian equities.

The former head of the Budapest stock market, Jozsef Rotyis, who now heads Focus, the country's first investment rating agency, is a case in point.

"Market participants lack independent, detailed company information," Mr Rotyis says. Which is where, of course, his agency steps in. "We are talking to future clients. They are starting to understand the importance of this."

Hungary "is destined" to be part of the western European economy, so a recovery of the market is inevitable, he says. "Maybe not this month, nor next, but this is still a growing GDP country, and that needs funds."

Perhaps the taxi driver was right, after all.

Price rises and strong dollar lift Heineken

By Jeremy Gray in Amsterdam

Heineken, the big Dutch brewing group, reported a larger than expected rise in first-half earnings, backed up with the prospect of a similar performance for the full year.

Net profit totalled Fl 418m ($220m), up 28 per cent on last time's Fl 326m. Heineken attributed the surprisingly strong results – analysts had forecast a maximum 18 per cent rise – to factors including the robustness of the US dollar, price mark-ups and gains from acquisitions in Europe, which accounts for two-thirds of turnover.

Shares in the brewer, the world's largest after Anheuser-Busch of the US, surged on Friday to close at Fl 89.40, up Fl 8.90, in a weak Amsterdam market.

Profits growth far outpaced that of sales, which rose by 5 per cent to Fl 6.837bn.

Volume beer sales advanced by 9 per cent, tapped chiefly from units in France, Italy and Slovakia, and offsetting falls in Asia.

"In Europe, we can still see a continued rise in the premium segment, in which our position is strong," said Karel Vuursteen, chairman, adding that the continent's business outlook was good.

Recent acquisitions in Italy and France, including that of Alsatian brewer Fischer, were integrated more swiftly than planned and generated cost savings, he said.

Asked about further acquisitions, Mr Vuursteen said a takeover bid for Grolsch, the rival Dutch brewer, was a non-starter because the Dutch competition authority, the NMA, was not likely to approve. Heineken already satisfies more than 50 per cent of the country's beer demand.

Heineken is keenly awaiting a verdict from the Polish antitrust authorities on the planned merger of Brewpole and Zywiec, the national brewers in which Heineken holds significant stakes.

The merged entity would command a majority share of the Polish market and would become Heineken's leading subsidiary in volume terms.

Mr Vuursteen said the crisis in Asia, which accounts for 11 per cent of sales, had had a limited impact on results.

Fuji Bank lines up Y200bn new issue

By Gillian Tett in Tokyo

Fuji Bank, one of Japan's largest, is hoping to issue some Y200bn ($1.53bn) in new shares to related companies in the next year to boost its capital base, bank officials have indicated.

The move comes after a recent slump in the share price of Fuji highlighted market concerns about the group, which is part of the "Fuyo" keiretsu, or corporate family.

The shares closed at Y336 on Friday, up Y3 on the day but sharply below the Y1,110 peak they touched in March. The bank has 2.9bn outstanding shares.

Fuji has repeatedly denied in recent days that the bank faces financial problems, and said rumours that it had some Y2,000bn of losses on its overseas derivatives trading were "absolutely groundless". The bank insists the maximum theoretical value of losses on its derivatives positions, which are the largest of any Japanese bank, would be Y15.5bn.

However, the fall in the share price has focused market attention on the strength of the Fuyo keiretsu, which also includes Yasuda Trust Bank, and Hitachi, the electronics group, which recently warned that it was poised to post its first net loss for 50 years.

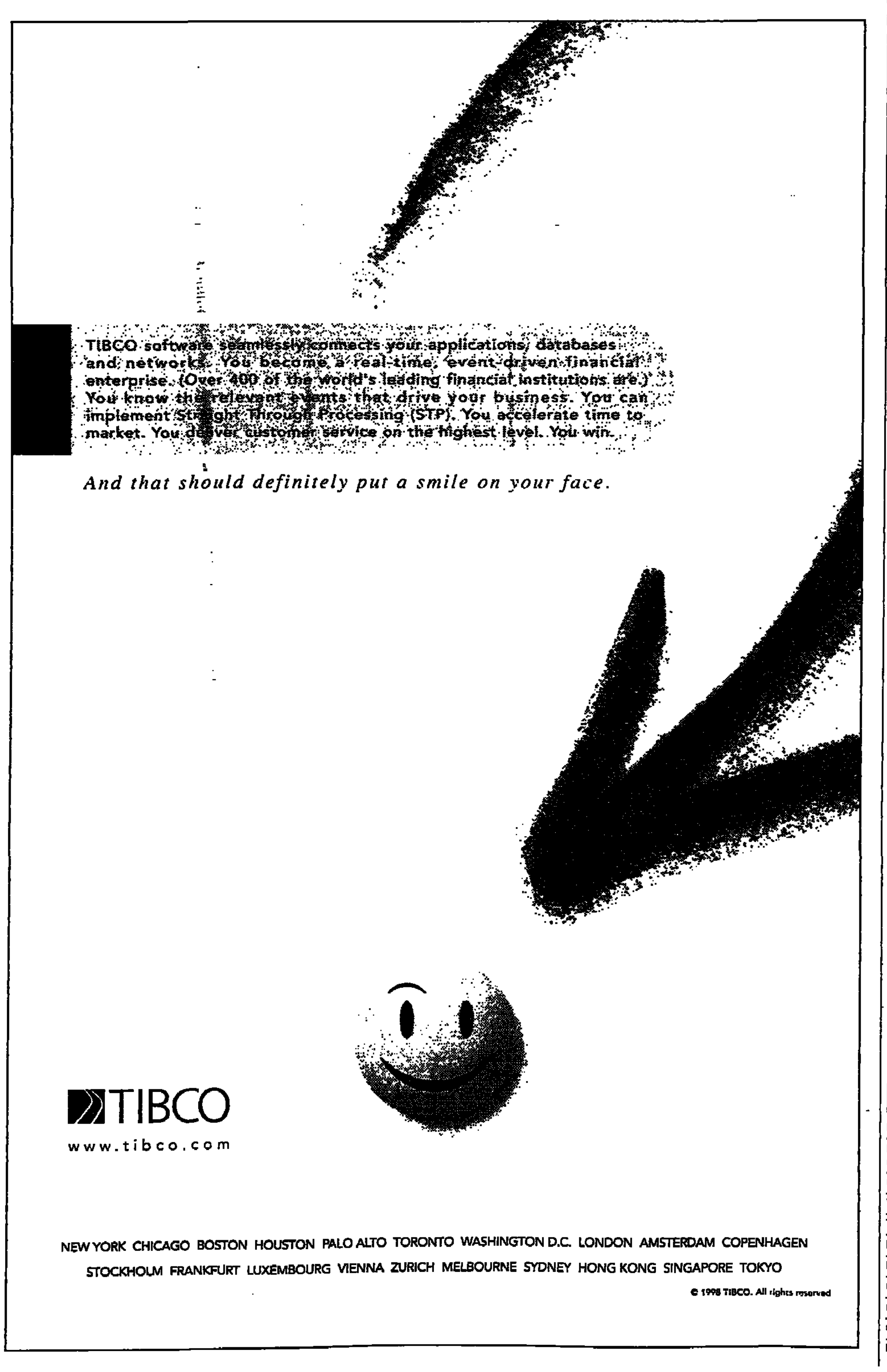
In particular, some analysts have expressed concern that the Fuyo group may not be as strong as the "Mitsui" keiretsu, which announced a Y300bn recapitalisation of Sakura, the core Mitsui bank, earlier this month.

Consequently, Fuji's plans are widely seen as an effort to dispel concern about the health of the bank and to demonstrate that it remains as strongly supported as Sakura. They also suggest that some banks are becoming less confident that they can rely on the government to provide public funds for a capital injection.

Although the government has earmarked some Y13,000bn for supporting the banks, the opposition political parties are strongly opposed to further capital injections.

Fuji is expected to announce more details of the planned recapitalisation and its non-performing loans later this week. However, over the weekend Fuji Bank officials indicated that they expected key Fuyo members such as Yasuda Mutual Life Insurance group, Marubeni and Hitachi to provide the capital injection.

The bank is also expected to speed up a restructuring programme that will reduce its overseas offices to about half the current 64.



NEWS DIGEST

BIOTECHNOLOGY

Private UK company in drug deal with Eli Lilly

Cerebrus Holdings, a private UK biotechnology company, will today announce a deal with Eli Lilly, the US pharmaceuticals group, for the joint development of a compound to combat the vomiting associated with cancer chemotherapy. Cerebrus will fund clinical development of the compound through Phase I and Phase II trials in human volunteers, expected to cost about £2m ($3.36m).

Lilly would then have the option to develop and commercialise the drug, for which it would pay Cerebrus a royalty. If it chooses not to give up the compound after Phase II trials, Cerebrus would be free to develop the drug on its own or with a new partner.

Licensing-in deals of this type are increasingly common. They allow big pharmaceutical companies to outsource development of non-core candidate drugs while retaining the option of bringing them back into their pipeline should they prove successful. Cerebrus, which raised £10.5m in a private placement this year, specialises in central nervous system complaints, of which emesis (vomiting) is one.
David Pilling

DERIVATIVES TRADING

More electricity futures

A third set of electricity futures contracts will start trading in the US today on the Minneapolis Grain Exchange. This adds to the new electricity futures launched by the Chicago Board of Trade, the largest futures exchange, on Friday and to the existing contracts at the New York Mercantile Exchange. Interest in energy-related derivatives is growing in the US on the back of deregulation of the electricity sector itself.

The CBOT futures and options contracts are based around delivery of power into the Commonwealth Edison system and into the system run by the Tennessee Valley Authority. ComEd is the big Chicago-based electricity utility. Exchange officials admitted on Friday that they expect fairly low volumes in the immediate future, but are looking to the long-term potential for the contracts. The Minneapolis contracts, meanwhile, centre on delivery into the system run by Northern States Power Company, a local utility.
Nikki Tait, Chicago

FINANCIAL SERVICES

ING expands in US property

ING, the Dutch financial group, is undertaking a six-fold expansion of its US property management interests through an agreement to buy the New York-based Clarion Partners and CRA Real Estate Securities, a subsidiary. Together they manage assets worth $6.1bn. The US activities of ING Real Estate, which currently has an investment portfolio of $900m, are to be integrated with those of Clarion and its offshoot.

The value of ING's property under management worldwide will, as a result, reach $17bn, which the group said would make it the third largest in the sector. Clarion, founded in 1982 and employing 115 staff, has 10 offices across the US offering direct and indirect investments to institutions and private clients.
Gordon Cramb, Amsterdam

PUBLISHING

Havas buys Spain's Anaya

Havas, the media offshoot of the French multi-utility group Vivendi, has acquired Anaya, Spain's leading educational publisher, in a deal worth some Pta35bn ($244m). Eric Licoys, Havas chairman, said the purchase would consolidate the company's position as Europe's biggest text and reference book publisher and strengthen its position in Latin America.

Under the deal, announced last Friday, Havas will pay a 35 per cent premium to Anaya's Thursday closing price on the Madrid bolsa for control of the company – a 45 per cent premium to Anaya's average trading price in the past month.

Mr Licoys said Havas had agreed to purchase the 63.5 per cent stake in Anaya owned by Germán Sánchez Ruiperez, the company's founder and chairman, and would offer the same fixed price of Pta8,666 a share to minority equity holders in order to gain 100 per cent ownership of Anaya. **Tom Burns, Madrid**

VEHICLE MANUFACTURE

Toyota to lift Chiyoda stake

Toyota, Japan's largest automotive manufacturer has announced plans to increase its stake in Chiyoda Fire & Insurance Company from 37 per cent to 47 per cent by purchasing 48m shares in the non-life insurer. The group will acquire 20m of new shares worth Y10bn ($76m) on September 28. The remaining 28m shares will be purchased this month at market value, provided the stock's price remains consistent. Chiyoda shares jumped Y19 to Y515 on Friday, despite a 5 per cent fall in the benchmark Nikkei 225 index.

"Chiyoda proposed the sale because it needed the cash," said Kunihiko Shiohara, automotive analyst at ING Barings. Toyota said it made the move in preparation for deregulation of the car insurance market in 2001.
Deborah Haynes, Tokyo

ENGINEERING

Technip plans share buy-back

Technip, the French engineering group, expects to launch a programme to buy back up to 10 per cent of its shares. Several French companies are expected to make similar announcements following the recent official publication of new rules on buy-backs by the Commission des Opérations de Bourse, the French stock market watchdog.

The disclosure came as Technip reported an 8 per cent advance to FFr305.7m ($54m) in first-half earnings, in spite of what it said were "difficult market conditions". Turnover rose 9 per cent to FFr5.81bn. **David Owen**

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Royal Bank of Scotland (UK)	Citizens Financial (US)	Banking	$750m	Irish exercise put
Cooper Industries (US)	TLG (UK)	Lighting	$539m	Wassall trumps
WMI (US)	UK Waste (UK)	Waste Mngmnt	$344m	Cash for 49%
Textron (US)	David Brown (UK)	Engineering	$328m	Towel thrown in
Ericsson (Sweden)	ACC (US)	Telecoms srvcs	$285m	Internet foray
Billiton (International)	QNI (Australia)	Mining	$213m	Surprise offer
Casino (France)	Disco (Uruguay)	Retailing	$124m	Strategic move
Constellation Power (US)	Noreste (Panama)	Power	$89m	Agreed 51%
Cadbury Schweppes (UK)	Wedel (Poland)	Food	$76.5m	Pepsi refocus
Eidos (UK)	Crystal Dynamics (US)	Computer srvcs	47.5m	Ram raiding

Digital links for TV groups

By Christopher Bobinski in Warsaw

Telewizja Polska (TVP), Poland's state-owned television broadcaster and Telekomunikacja Polska (TP SA), the soon to be privatised telecoms operator, are due this week to give final approval to a plan to join private sector broadcasters in establishing a digital platform in the country, one of Europe's fastest growing television markets.

The plan will give a pivotal role to Canal Plus, the French pay TV company, which already has an analogue operation with 250,000 subscribers in Poland.

It also marks a serious threat to Wizja TV, a digital station that is launching a Polish language satellite service beamed into Poland from the UK this month. Wizja TV is owned by @Entertainment, which is listed on Nasdaq. @Entertainment raised $200m last year, partly from Advent International, the private equity fund management company, for its digital venture in Poland.

Lew Rywin, head of TKP, Canal Plus's vehicle in Poland, said Polsat, the country's locally-owned commercial broadcaster, as well as TKP, TVP and TP SA have negotiated a shareholder agreement to establish Polska Platforma Cyfrowa (PPC), the company that will operate the digital platform.

"The plan has the backing of Jerzy Buzek, the prime minister," Mr Rywin said on Friday, revealing that TVP would be the largest shareholder in the new company, which will be investing "at least $150m over five years".

Initially, PPC will broadcast Canal Plus's digital programmes as well as both Polsat's and TVP's channels. The satellite broadcast will thus bring both of TVP's channels to spots beyond the reach of its terrestrial system. This will immediately give PPC a potential client base in the areas where reception of TVP has been poor or non-existent.

PPC's digital set top boxes enabling reception of the platform are to cost a heavily subsidised 299 zlotys ($83). They will be produced by Pioneer, the Japanese electronics manufacturer that has recently taken a controlling stake in Tonsil, a local listed manufacturer. Wizja TV's set top boxes are similarly priced.

INTERNATIONAL BONDS HIGHER INTEREST RATES WILL HELP FUND MATURING DOMESTIC DEBT BUT WILL BOOST THE COST OF SERVICING

Investors in Brazil face a test of nerves

By Jonathan Wheatley in São Paulo

When Brazil's central bank raised its prime lending rate to 49.75 per cent last Thursday, it solved one set of problems and stored up more for the future.

The immediate problem was how to roll over the enormous volume of domestic debt maturing over the next five weeks. Brazil is entering a period of heavy redemptions just as investor confidence has hit a new low. With the overnight rate – to which about 60 per cent of domestic debt is linked – now at about 40 per cent a year, it should attract enough investors to see it through to quieter times next month.

The bigger problem will be how to pay the bill. The effect of two interest rate rises last week – resulting in a doubling of the overnight rate – will be to add about R$4bn (US$3.4bn) a month to the cost of debt servicing for as long as rates remain at their new level.

Anything that worsens Brazil's already serious fiscal position will do nothing to bolster investor confidence. The fiscal deficit – including interest payments and spending by the federal government, states, municipalities and public sector companies – is approaching 8 per cent of GDP.

Dismay at Brazil's failure to bring public spending under control is one of the main reasons for its vulnerability to the world financial crisis. The volume of debt has risen steadily over the past 18 months, a situation that has been exacerbated by the approach of general elections on October 4.

While the debt stock has grown, its profile has also shifted. As the perceived fiscal risk has increased, the government has sought to attract investors by moving increasingly into floating-rate notes, linked either to the overnight rate or to the US dollar.

"The authorities are relying excessively on floating debt to remedy short-term problems, without taking measures to counter potential refinancing problems down the road," said Felipe Garcia at the New York office of IDEA, a firm of economic analysts.

"They failed to control expenditure at all levels of government because politicians at all levels wanted to get elected. Now they're having to pay the price," he said.

The price could run a lot higher than the additional cost of debt servicing. A sense of panic snow-balled last week, sending stock and bond prices into free-fall as investors – both foreign and Brazilian – dumped Brazil risk at any cost.

Markets recovered somewhat on Friday, but traders said the sense of vulnerability remained strong.

However, while the short-term problem may be taken care of, Brazil is likely to rely on local investors to roll over its debt – and roll it over it must, or see creditors move their money into dollars.

Analysts say foreign investors held at most 20 per cent of Brazil's domestic debt before the crisis, and at most 15 per cent today.

Few who remain will pass up the chance to get out: the perceived risk that Brazil will be forced to restructure its debt within the next year or two will be too great.

The government has done all it can to calm fears that it may resort to shock measures. Capital controls have been ruled out, along with a debt moratorium or a devaluation of the Real.

However, there was a shift in the government's tone at the end of last week. On Thursday, President Fernando Henrique Cardoso said there would be no further rise in interest rates, hours before it happened. The next day, chastened officials were saying they would do whatever was necessary to defend economic stability. Nothing, now, was ruled out.

Included in emergency measures last week was a legal commitment from the federal government to produce increasing primary budget surpluses over the next four years.

Officials have touted it as a sea change in fiscal management, with real commitments to meeting fixed targets.

Observers remain to be convinced. To make the kind of spending cuts needed really to attack the fiscal deficit, the government must reform the top-heavy, corporatist state enshrined in the 1988 constitution.

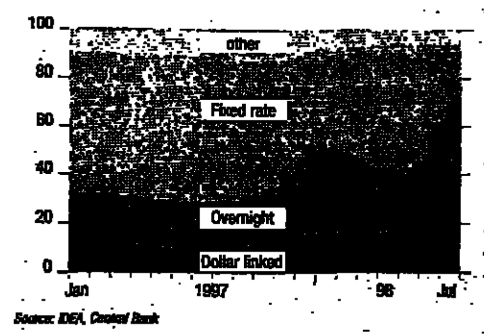
That means sacking public employees and cutting the excesses of the social security system.

David Fleischer, a political scientist at the University of Brasilia, says the government has one chance of making this happen: Mr Cardoso must win outright on October 4, avoiding a later run-off, and call immediately for a constituent assembly next year. His reforms would then need a simple majority, instead of the two-thirds support that has evaded him over the past four years.

Confidence might then be restored. First, however, the government must make it to October 4 without being forced into shock measures that could bring its hard-won stability to the brink of collapse.

Can Brazil pay the bill?

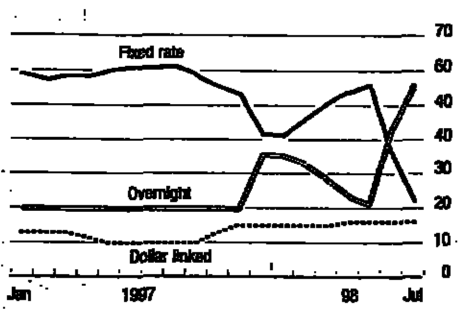
Breakdown of federal government securities



Total domestic debt maturities*

	R$bn
6-12 Sep	3.9
13-19 Sep	13.1
20-26 Sep	13.4
27 Sep-3 Oct	16.5
4-10 Oct	11.5
11-17 Oct	14.7
18-24 Oct	8.1
25-31 Oct	6.8
November	25.0
December	3.0
TOTAL	115.8

Domestic debt composition



Source: IDEA, Central Bank

* As at September 2

Virgin Group to sell UK music chain

By Vanessa Houlder

Virgin Group is planning to raise at least £85m ($143m) from selling Our Price, the UK music chain, to a management buy-out team, two months after it took full control of the shops as part of a £145m deal with WH Smith.

Several venture capital providers have reached the second round of the bidding process to finance the deal. The sale is being conducted by BT Alex Brown for Virgin. The negotiations, which began shortly after the WH Smith deal was completed in July, opened with eight potential bidders.

Richard Branson's privately owned Virgin conglomerate has decided to sell the chain of 229 shops because they are too small to be converted to the Virgin brand. It will keep the 88 Virgin megastores, which were also part of the WH Smith deal. These branded stores are larger and much more profitable than the Our Price Shops.

Virgin Our Price is believed to have made operating profits of about £17m on sales of £500m in the year to April 1998. Its sale price could be affected by concerns about the future profitability of music retailing because of competition from electronic commerce.

If customers started to buy music by down-loading it from the internet, the margins of high-street retailers, which are already slim, could be further eroded.

The deal struck in July, by which Virgin acquired WH Smith's 75 per cent stake in Virgin Our Price, allowed Virgin to regain control of the Virgin Megastore brand in the UK and Ireland seven years after it sold 50 per cent of the business to WH Smith.

Virgin's decision to buy out WH Smith, which put its stake up for sale last October, was influenced by its desire to avoid losing control over the Virgin name.

This has become a critical issue for Mr Branson, who now sees his empire, which ranges from a long-haul airline, Virgin Atlantic, to fashion clothing, as a branded venture capital group.

The proposal for a management buy-out was put forward by Mike McGinley, managing director of Our Price and agreed by Simon Burke, managing director of Virgin Entertainment Group which owns Virgin's cinemas and retailing.

The strategy of selling part of a newly acquired business to a management team has been pursued by Virgin before. In 1995, it bought the 116-strong MGM Cinema chain for £195m. A year later, it raised £69m by selling the 93 smaller theatres to ABC Cinemas, a management buy-out team.

Nissho Iwai shares hit 26-year low

By Michiyo Nakamoto in Tokyo

Shares in Nissho Iwai, the Japanese trading company, plunged to a 26-year low last week after Moody's, the credit rating agency, downgraded its debt two notches to Ba1, or "junk" status.

The shares recovered to Y160, or 16 per cent down, at the close. Marubeni, which had also been downgraded by Moody's from A3 to Baa2, closed down Y20 at Y214.

Moody's indicated its downgrades reflected growing concerns about the deteriorating environment for Japanese trading companies. Nissho Iwai has a high level of exposure to Asian countries which have been hit by a severe currency crisis and could face higher funding costs because of the spreading credit crunch in Japan.

According to Kota Nakako, industry analyst at Warburg Dillon Read in Tokyo, 10 per cent of the company's total assets are in Asia, compared with an industry average of 5 per cent. Its net risk exposure to the Asian region was Y106.8bn ($815m) at the end of the last fiscal year.

The trading company's debt to equity ratio, at 14 times, is higher than the average among trading companies, said Mr Nakako. Mitsui's ratio is six times while Mitsubishi's is seven times.

The trading company also has a significant exposure to property in Indonesia, which could turn into bad debts amid the country's dire economic situation, Mr Nakako said.

Nissho Iwai also faces the possibility of higher interest costs on its liabilities, he said.

Japanese banks have become increasingly cautious in their lending because of a need to conform to international capital adequacy ratios. If they raise interest on Nissho Iwai's loans by 30 basis points, that would lead to an increase in interest costs of Y12bn, Mr Nakako said.

Nissho Iwai said its profitability "continues to be firm despite the present difficulties in the world economy. Because of the support we are receiving from financial institutions ... we are amply able to meet our long- and short-term funding requirements."

It added that while Moody's points to unrealised losses on its securities holdings, it "remains confident that with the eventual resurgence of the Japanese economy, the value of these securities will increase above the level of their acquisition costs".

Mr Nakako calculated that unrealised losses on securities amounted to Y60bn for the parent company and an estimated Y50bn-Y60bn for the subsidiaries.

RICHEMONT

COMPAGNIE FINANCIÈRE RICHEMONT AG, ZUG, SWITZERLAND
RICHEMONT SA, LUXEMBOURG

The annual general meetings of Compagnie Financière Richemont AG, Zug, and Richemont SA, Luxembourg were held on 10 September 1998.

The annual general meeting of Compagnie Financière Richemont AG resolved not to pay a dividend. The annual general meeting of Richemont SA resolved that the following dividend be paid to holders of Richemont units:

Gross dividend per unit	**£ 11.50**
Payable from	Monday, 28 September 1998
In respect of	Coupon No. 42

The dividend will be paid to unitholders by Richemont SA and represents a dividend of 15.33%, including the preference dividend, on the amount of the reserve established in respect of the participation certificates issued by that company. The dividend is payable free of charges and without deduction of withholding tax.

Coupons may be presented for payment at any branch of the following banks:

UBS AG
Bank J. Vontobel & Co. AG — Darier, Hentsch & Cie
Pictet & Cie — Anlage- und Kreditbank AKB

14 September 1998

Compagnie Financière Richemont AG
6300 Zug, Switzerland

Richemont SA
Luxembourg

Industrial Bank of Korea
(a statutory juridical entity under the Industrial Bank of Korea Act of 1961, as amended, in the Republic of Korea)
US$110,000,000
Floating Rate Notes due 1999
In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from 11th September 1998 to 10th December 1998 the Notes will bear interest at 5.68594% per annum.
The interest amount payable per US$1,000 Note will be US$14.37 and per US$100,000 Note will be US$1,437.28 on 11th December 1998.
AGENT BANK
BARCLAYS

Financial Times Surveys
Osaka
Monday October 19
For further information please contact:
Patrick Brennan in Tokyo
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Fax: +81 3 3295 1264
email: patrick.brennan@FT.com
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Fax: +44 171 873 3204
email: larry.kenney@FT.com
FINANCIAL TIMES
No FT, no comment.

Air Liquide : 1998 first half year consolidated earnings

OVER 10% GROWTH IN GAS SALES AND NET EARNINGS, PROFIT MARGINS INCREASE AND CASH-FLOW GROWTH PICKS UP PACE AT +15.1%

The Board of Directors of L'Air Liquide met September 7th 1998, under the chairmanship of Mr. Alain Joly. The Board examined the accounts for the first half of 1998.

During the meeting the Chairman made the following statement:

"The first six months of 1998 were marked by continued growth in sales and earnings, and a sharp increase in cash flow growth. This is in keeping with our objectives. The increase in sales – resulting naturally from our new contracts and plants – and the pursuit of our efforts to improve productivity should enable us to continue our growth during the second half of 1998 in a more difficult global economic environment. Our objective for the year remains double-digit earnings growth".

In Millions of FRF	Jan. 1st to June 30th 1997	Jan. 1st to June 30th 1998	1998 / 1997 %
Sales	18,491	19,984	+ 8.1
Operating income before depreciation	**4,113**	**4,601**	**+ 11.9**
Operating income after depreciation	**2,530**	**2,767**	**+ 9.4**
Earnings before taxes	2,491	2,780	+ 11.6
Net earnings	**1,503**	**1,685**	**+ 12.1**
Cash-flow	**3,130**	**3,604**	**+ 15.1**
Net earnings per share (in FRF)	**18.23**	**20.44**	**+ 12.1**

Air Liquide Group's consolidated sales grew 8.1% (including a foreign exchange gain accounting for 0.6%), with 10.6% growth in industrial and healthcare gases and services, which together account for about 80% of Group sales. This excellent growth is the result of the commissioning of new plants to supply customers under long-term contracts, particularly in Europe and the USA, and the upturn in the European market. Sales in Asia, expressed in local currency, continued to increase.

Operating income before depreciation grew strongly at +11.9%, reflecting the increase in sales as well as productivity gains achieved by stepping up the pace of the productivity/cost-cutting programs already underway. The ratio of operating income before depreciation over sales increased from 22.2% during the first half of 1997, to 23.0% in 1998.
The commissioning of new capital expenditures to fulfil the Group's new contracts has led to a substantial increase in depreciation. Despite this, operating income after depreciation still grew 9.4%.

Consolidated net earnings, after minority interests and taxes, totaled FRF 1,685 million, as compared to FRF 1,503 million in 1997. This represents growth of 12.1%, or 11.9% after correction for exchange rate differences. This figure includes a capital gain of FRF 30 million obtained from the divestiture of hydrogen peroxide business, net of provisions for extraordinary items.
L'Air Liquide S.A.'s net earnings were FRF 1,024 million, as compared to FRF 809 million in 1997.

Cash-flow grew very sharply (+15.1% excluding extraordinary items and +23.2% including an extraordinary capital gain), chiefly due to the increase in earnings and the commissioning of new plants.

Worldwide specialist of industrial and medical gases, AIR LIQUIDE provides oxygen, nitrogen, hydrogen and many other gases to the whole industry and to the healthcare sector. Combining new technologies and services, AIR LIQUIDE invents gas solutions which improve the performance of its customers and help protect the environment. AIR LIQUIDE has over 27 000 employees in more than 60 countries. 74% of its sales are outside of France.

SHAREHOLDERS SERVICE
75321 Paris Cedex 07 France

http://www.airliquide.com.

AIR LIQUIDE

Mediobanca International Limited
(incorporated with limited liability in the Cayman Islands)
A member of the Mediobanca Banking Group

Notice to holders of Mediobanca International 4 per cent. Notes due 1999 (the «Notes») exchangeable into ordinary shares of Alleanza Assicurazioni S.p.A. (the «Shares»)

Change in Basis for Conversion

Notice is hereby given that as a result of a bonus issue of shares in Alleanza Assicurazioni S.p.A. (the «Company») authorised by a resolution adopted by an Extraordinary General Meeting of the Company held on 19th June 1998 and to be effected as from 21st September 1998, pursuant to condition 5 of the Terms and Conditions of the Notes, the basis for conversion of the Notes (which was 1.1 ordinary share in the Company for every Note held) has been changed to 1.21 ordinary shares (the «Shares») in the Company for every Note held. Where upon exercising their subscription rights, Noteholders become entitled to receive other than a whole number of shares, they shall pursuant to the said Condition 5 receive the nearest whole number of Shares and shall be refunded the cash equivalent of the outstanding fraction based on the arithmetic mean of the official market price of the Company's ordinary shares as recorded in the calendar month preceding that in which the application for redemption and subscription was made.

Standard Chartered

Standard Chartered PLC
(incorporated with limited liability in England)
US $400,000,000
Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 14th September, 1998 to 14th January, 1999 the Notes will carry interest at the rate of 5.625 per cent. per annum.
Interest accrued to 14th January, 1999 and payable on 14th January, 1999 will amount to US $190.63 per US $10,000 Note and US $1,906.25 per US $100,000 Note.

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FLOATING RATE NOTES DUE 12/3/2000, 12/3/2001 & 12/3/2002

In accordance with the provisions of the Floating Rate Notes in three series issued on 12 March 1997, notice is hereby given that for the period from 14 September 1998 to 15 March 1999, the Floating Rate Notes will bear interest at 6.175% p.a. for Series 1, 6.225% p.a. for Series 2, 6.275% p.a. for Series 3.

The interest amount payable on 15 March 1999 per US$100,000 Note will be USD 3,121.51 for Series 1, USD 3,147.08 for Series 2 and USD 3,172.36 for Series 3.

Barclays Bank PLC, Hong Kong
As Fiscal Agent and Agent Bank

For global capital strength... ING BARINGS

MARKETS WEEK

September 14 - September 20

...we're there. ING BARINGS

NEW YORK

By John Authers

The market volatility of the last month is likely to continue on Wall Street this week, with the Clinton scandal and the state of the Latin American economy dominating domestic concerns.

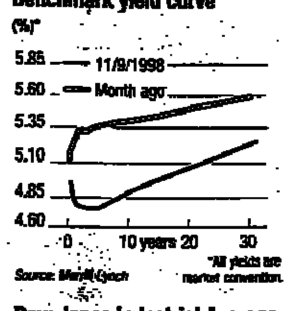
Last week saw a continued rally in bonds, with the yield on the benchmark 30-year Treasury dropping from 5.28 to 5.23 per cent, in spite of profit-taking on Friday.

The Dow Jones Industrial Average enjoyed its strongest ever points gain on Tuesday, gave up all of it in reaction to the Clinton developments on Wednesday and Thursday, then rallied to close up slightly for the week, moving from 7,640.25 to 7,795.50.

Several releases of new data could push the market. Thursday will see the Consumer Prices Index for August, with the consensus of expectations, according to Standard & Poor's MMS, that inflation was only 0.1 per cent last month.

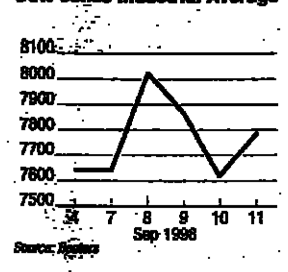
Tomorrow brings retail sales data and Wednesday industrial production figures, both of which could have an impact on the market. There is also a danger that some companies will "pre-announce" disappointing earnings – another potentially negative factor for the market.

Benchmark yield curve



Source: Merrill Lynch

Dow Jones Industrial Average



Source: Reuters

LONDON

By Philip Coggan

This week's batch of economic data will be analysed by the markets in a new light after last Thursday's statement from the Bank of England about monetary policy.

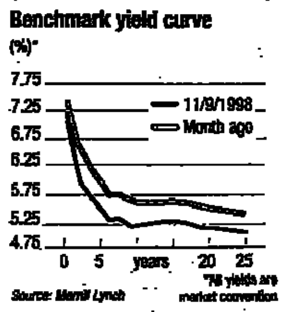
The Bank said it was ready to cut interest rates if the international economic situation worsened. But traders will be hoping that something in the *domestic* economic figures will give the Bank the excuse to act.

The retail price data for August, out tomorrow, are expected to show that underlying inflation was still, at 2.6 per cent, above the government's target.

However, the Bank may take heart from the average earnings figures for June, to be released on Wednesday. It was the earnings data that helped spark the last interest rate rise three months ago, but the pace of growth is expected to have slowed, from 5 per cent to 4.7 per cent.

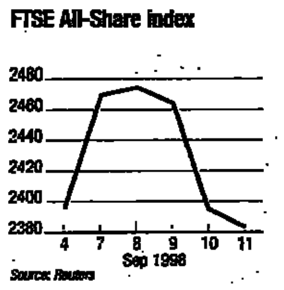
The results season is well under way and a number of important companies are due to report during the week, including BCI, BG, British Aerospace, Hays, Kingfisher, Next and RMC. Analysts will examine how they are coping with the strength of sterling, the UK economy and the emerging markets crisis.

Benchmark yield curve



Source: Merrill Lynch

FTSE All-Share index



Source: Reuters

FRANKFURT

By Andrew Fisher

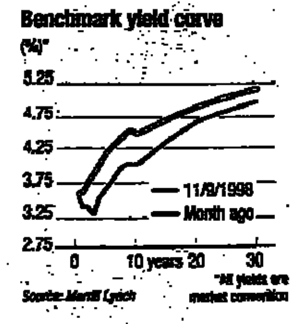
As the barrage of bad news from around the globe continued, German investors remained on edge last week, with the Dax blue chip index moving up and down erratically. On Friday, shares slid further initially but then recovered to show a slight rise. The early improvement on a battered Wall Street was a partial aid to sentiment, but relief was expected to be temporary.

As it has become clear that the latest drop in equities is more than a brief correction, banks and analysts have revised downwards their Dax forecasts. They are now tending towards 5,500 points by the year-end. On Friday, the index closed at just over 4,750, well below the peak of just over 6,000 this July.

With the likelihood of some political, if not economic, stability in Russia, attention has shifted to the Americas. Speculation over the fate of US President Bill Clinton and fears of growing financial instability in South America have added further to anxieties.

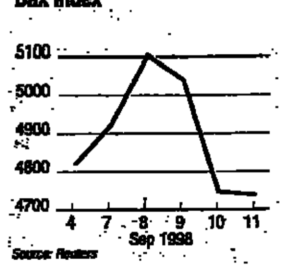
On the corporate calendar are Friday's extraordinary general meeting of Daimler-Benz to vote on the merger with Chrysler and half-year figures from Allianz insurance on Thursday.

Benchmark yield curve



Source: Merrill Lynch

Dax index



Source: Reuters

TOKYO

By Paul Abrahams

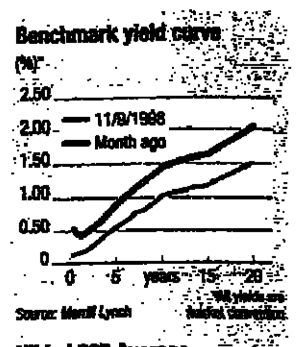
Japanese stock markets are suffering from unusual volatility. The Nikkei 225 index shot up 5 per cent early last week, then dropped more than 5 per cent on Friday in its largest points drop of the year, closing down 749 points at 13,916. The yield on the benchmark No 182 10-year government bond tumbled to an astonishing 0.79 per cent.

This week could be equally volatile. Little in the way of economic data is due apart from current account figures – which could provide ammunition for a visiting delegation of US officials to complain about the trade balance in the run-up to November's elections – but the market still has to digest last Friday's worse than expected GDP figures, which showed the economy had contracted for the third quarter running.

Equities could be further pummelled by bad corporate news, either in the banking sector – where the LTCB crisis remains unresolved – or the industrial sector.

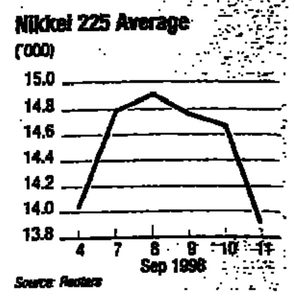
After the markets closed on Friday, Toshiba announced its first loss in 48 years, and more companies are expected to announce profits warnings before the end of the financial half year on September 30.

Benchmark yield curve



Source: Merrill Lynch

Nikkei 225 Average



Source: Reuters

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	10,257	859	626¼	Alld Zurich	655	+8½	W17.7c	3.3	1.8	18.5
*	F.P.	0.36	12¼	8	Chaucer A Wts	12½		–	–	–	–
160	F.P.	1,659	192½	145	Coca-Cola Bev	155½	–1½	–	–	–	–
–	F.P.	–	58	55½	Enterprise Cap B Pf	55½		–	–	–	–
–	F.P.	–	143½	80	GEC Put Wts	108½	+4½	–	–	–	–
§130	F.P.	119.8	129½	120½	Kiln	122½		W–	–	–	14.5
–	F.P.	390.5	98	93	MEPC Non Cum Pf B	93	–3½	–	–	–	–
–	F.P.	14.3	114½	109½	†Metnor	112½		b3.8	–	4.0	–
§	F.P	5.34	18	14	Murray Extra Fin Cap	15	–1½	–	–	–	–
§100	F.P	29.1	109	99	Do Inc	106½	–¼	b7.95	–	9.3	–
§	F.P	23.6	100	99	Do Zero Div Prf	99	–½	–	–	–	–
§32	F.P.	4.02	32½	28½	†Parallel Pictures	28½		–	–	–	–
§65	F.P.	4.05	66½	62½	†Private & Comm Fin	65		R0.6	–	1.2	15.6
*	F.P	16.4	65½	37½	†Sodra Petroleum	40½		–	–	–	–
*	F.P.	4.96	103½	80½	†SupaRule	90½		–	–	–	–
–	F.P	–	34	20½	Syndicate Cap Wts 98/02	21½		–	–	–	–
§	F.P	148.7	520½	503½	Tribune IT Index	504	–8½	–	–	–	–
–	F.P	–	33½	32½	Walker Greenbank B	33		–	–	–	–
§2	F.P.	2.46	2½	2¼	†Winslow	2½		–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
520	Nil	28/9	3½pm	3½pm	Cammell Laird	3½pm	

pm premium.

FTSE GOLD MINES INDEX

	Sep 11	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	999.71	–5.5	30.95	100.00	1.97	–	1535.45	701.58
■ Regional Indices								
Africa (9)	1135.43	+2.8	9.17	29.63	4.22	45.07	1525.29	765.63
Australasia (7)	1064.79	–7.9	2.77	8.95	3.04	7.24	1609.85	815.93
Americas (11)	943.86	–9.4	19.01	61.42	0.72	55.03	1574.16	647.69

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STOCK INDICES

	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	5118.8	5136.6	5311.3	5344.2	5347.0	6179.0	5068.8	6179.0	986.9
FTSE 250	4697.3	4751.8	4811.7	4804.5	4747.1	5986.6	4627.3	5986.6	1379.4
FTSE 250 ex IT	4758.2	4813.0	4865.2	4856.4	4801.5	6030.0	4683.3	6030.0	1378.3
FTSE 350	2455.4	2467.5	2541.9	2554.2	2549.9	2967.8	2444.7	2946.4	664.5
FTSE SmallCap	2088.05	2101.45	2112.83	2102.24	2084.92	2868.09	2047.45	2868.09	1363.79
FTSE SmallCap ex IT	2087.60	2095.83	2101.22	2087.58	2073.31	5554.10	2042.00	5554.10	1363.79
FTSE All-Share	2383.63	2395.67	2464.60	2475.21	2470.19	2886.17	2378.18	2886.17	61.92
FTSE Fledgling	1168.22	1173.86	1179.25	1173.25	1165.19	1517.11	1140.23	1517.11	31.14
FTSE Eurotop 100	2405.96	2422.83	2541.68	2585.24	2555.83	3086.91	2236.40	3086.91	2044.47
FTSE Eurotop 300	1044.89	1051.30	1100.82	1118.32	1100.63	1327.88	971.83	1327.88	874.06
FT 30	3187.3	3217.8	3334.6	3380.6	3380.8	3884.0	3187.3	3884.0	49.4
FT Govt Securities	109.63	109.73	108.61	108.30	108.43	109.73	93.31	141.84	49.18
FT Fixed Interest	149.56	149.36	148.47	148.07	148.25	149.56	115.32	149.56	50.53
FTSE Gold Mines	999.71	992.95	884.51	921.15	932.26	1351.57	701.58	2074.61	701.58

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FT3

COMPANIES DIARY

Nestlé rise supported by coffee margins

Nestlé, the world's largest food group, is expected to report next Friday first-half net profits of SFr2.02bn-SFr2.15bn, against SFr1.89bn a year earlier, analysts said. Operating profit is forecast at SFr3.34bn-SFr3.59bn, up from SFr3.10bn. Nestle's first-half earnings will be supported by relatively positive coffee margins, although prices declined in the first six months of 1998.

Nestlé is also expected to announce details on its exposure to emerging markets and to reiterate its 1998 real internal growth rate target of 4 per cent. It may also release more details on the progress of improving the European capacity utilisation.

In the near term, however, Nestlé is expected to remain a market performer, as the weaker dollar is weighing on its share price, analysts said. The company is said to generate nearly 50 per cent of total sales from dollar-linked currencies. AFX-News, Zurich

Sir Richard Evans of British Aerospace: results set to provide a surprise for the unwary

The UK results season continues its hectic pace and although the industrial sector is set to provide more food for thought with a range of engineering companies producing figures, the retail sector enters the limelight. T&S Stores will provide a view of the retailing market away from the giants of the sector, while Next and Kingfisher also report. Elsewhere, interim results from one of Britain's biggest companies, British Aerospace, will be more complicated than usual and could provide a surprise for the unwary.

TODAY

● The recent collapse in the share price of **English China Clays** suggests that investors may feel downgrades to forecasts for the full year may follow the interim results, says Nick Wilson at BT Alex. Brown. He has told clients that the worsening of the Asian crisis and clay pricing pressures are likely to hit second-half figures. However, the first-half pre-tax line is set to advance by some 5 per cent to £43m.

● Electronics group **Fairey** may suffer along with other industrial companies exposed to the semi-conductor market, and some analysts are forecasting an interim decline of about 25 per cent in the pre-tax line to £18m.

● If **Thomson Travel** echoes recent statements by its rivals and announces a planned cutback in capacity for next year when it reveals interim figures, the prospects for profitability across the industry will be much increased. Interim figures do not warrant much attention in this industry, but just for the record a fall from £12.8m to £5m is expected.

● Convenience store operator **T&S Stores** is expected to show a 14 per cent interim pre-tax advance to about £11m, helped by better margins, integration benefits and more outlets.

● A slight easing of growth in like-for-like sales in the first half is expected when builders' merchant **Travis Perkins** reports, as the series of interest rates rises in the UK had its effect. An underlying advance of about 15 per cent to £26m is expected.

WEDNESDAY

● Analyst comment on interim results from **BG** is likely to focus on the wider structural and strategic options opened up by the company following the reorganisation of Transco, its distribution arm, into 13 distinct units. BT Alex. Brown forecasts an operating profit increase of 6 per cent to £244m for the second quarter. Recent focus by the company on shareholder value has prompted the broker to put fair value for the shares at 440p, almost 100p more than its recent trading levels.

● Strong performances from all divisions are expected to help retailing group **Kingfisher** to an underlying interim advance of some 15 per cent, to £172m. However, B&Q sales may have suffered because of the weather in the UK in the first half.

THURSDAY

● The positive tone of the AGM statement in May from housebuilder **Bovis Homes** is likely to be echoed by interim results, which are expected to be ahead by about 14 per cent at £16m. Recent expansion by the group in the north of England may lead to comments on the state of the market there, compared with the south-east.

● An unusually complicated set of interim results from **British Aerospace** is set to provide a surprise for the unwary, as during the period the timing of payments and revenues has combined to produce a huge rise in profits. The disposal of the 16 per cent stake in Orange brought in about £800m alone. While underlying profits are forecast to rise from £10m to £302m, operating profit is set to show a more modest increase of 16 per cent to £306m.

● Food group **Geest** reports interim results and analysts at Merrill Lynch forecast an increase from £12.7m to £14.3m pre-tax. Although the poor summer weather may have depressed sales, the growth should continue, albeit at a slightly slower rate than the 10 per cent recorded in 1997.

● **Next** surprised investors in March when it said sales growth was lagging the increase in retailing space, and these interim figures are likely to reflect those troubles. A fall of some 26 per cent to about £44m in operating profits has been forecast. The trading update is likely to be positive, although sales this year will be compared with a sudden drop in retail sales that followed the death of Diana, Princess of Wales.

● **RMC** is unlikely to display an advance on the £115m pre-tax it reported at the last interim stage, because of competitive conditions in eastern Germany and the effect of the weather phenomenon El Nino on activities on the west coast of the US. The contribution from operations in the UK are expected to be similar to those contained in last year's interims.

● Interim figures from **Vickers** will be confused by the scale of disposals that have taken place, but a fall in operating profits of 48 per cent to £15m has been pencilled in by some analysts. The impact of Asian economic turmoil is set to take its toll, particularly on the Kamewa and turbine components subsidiaries.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
GECC	450	Sep 2008	5.75	99.373R	5.835	+70(5 5/8 May08)	Paribas
KfW International Finance(a)	250	Jan 2008	5.75	100.773R	5.636	+52(5 5/8 May08)	JP Morgan Securities
GECC	100	Sep 2003	5.625	100.687	-	-	Lehman Brothers
European Investment Bank	750	Sep 2008	5.375	99.207R	5.480	+44(5 5/8 May08)	Merrill/Morgan Stanley
Rabobank Nederland	500	Sep 2008	5.50	99.041R	5.628	+55(5 5/8 May08)	Merrill Lynch Intl
Rams Mtg Corp. Cls A1(b)(h1)‡	100	Oct 2032	(h1)	100.00	-	-	JP Morgan Securities
Rams Mtg Corp. Cls A2(h2)‡	284	Oct 2032	(h2)	100.00	-	-	JP Morgan Securities
GECC(j)	300	Sep 2008	5.75	99.84R	5.772	+70(5 5/8 May08)	Paribas
Federal Home Loan Banks	3.5bn	Sep 2003	5.125#	100.00R	5.125	+46(5 1/4 Aug03)	ABN/B Stearns/MSDW
Lebanese Republic	350	Sep 2005	8.75	99.04R	8.940	+380(l)	Merrill Lynch Intl
STERLING							
Cards(No 6)(b)‡	240	Sep 2003	(b1)	99.916R	-	-	Barclays Capital
European Inv'ment Bank(c)	100	Dec 2007	7.625	111.759	5.928	+52(7 1/4 Dec07)	JP Morgan Securities
KfW Intl Finance(d)	75	Jul 2007	7.25	108.558R	5.970	+60(7 1/4 Dec07)	Barclays Capital
Chelsea Building Society‡	125	Oct 2001	(k)	100.00	-	-	Greenwich NatWest
KfW Intl Finance(n)	100	Dec 2028	6.00(s)	104.689R	5.672	+67(6% Dec28)	Barclays/Goldman
Cades(o)	100	Mar 2008	6.25	102.854	5.842	+59(7 1/4 Dec07)	Deutsche/Merrill Lynch
EUROS(e)							
Kingdom of Denmark(g)	113	Sep 2001	3.70	100.98	-	-	Nikko Europe
Kingdom of Sweden(m)	1bn	Jan 2009	5.00	103.35R	4.584	+23(l)	JPM/Paribas/Warburg
FRENCH FRANCS							
C Autonome Refinancement	800	Oct 2008	4.40	99.769R	4.429	+19(l)	CCF
YEN							
Oest Kontrollbank(f)★	14.5bn	Oct 1999	4.00#	100.00	-	-	Nikko Europe
ITALIAN LIRE							
Inter-American Dev Bk(q)‡	100bn	Oct 2018	(q1)	99.70R	-	-	Lehman Brothers Intl
SWISS FRANCS							
Ned Waterschapsbank	150	Oct 2009	3.50	102.80	-	-	ABN Amro(Zurich Brch)

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Fungible with $1bn. Plus 243 days accrued. b) Secured on credit card receivables originated by MBNA Intl Bank. Legal maturity: 15/11/05. b1) 3-mth Libor +12bp. c) Fungible with £800m. Plus 278 days accrued. d) Fungible with £250m. Plus 65 days accrued. e) Payments in Ecu prior to Emu. Spread relates to French govt Ecu bonds. f) Redeemed in Y unless S/Y falls to 114.85. g) Fungible with E88m. Plus 0.288% accrued. h) Secured on Australian residential mortgages originated by Rams Mortgage Corp. Callable from 10/10/04 at par. 20% cleanup call. h1) Av life 2.7 yrs. 3-mth Libor +14bp to Oct 04, then +30bp. h2) Av life: 5.3 yrs. 3-mth Libor +18bp to Oct 04, then +50bp. h3) Class B: $16m, 6 yrs, 3ML +43bp to Oct 04, then +90bp. l) Over interpolated yield. j) $450m launched Tuesday was increased to $750m. k) 3-mth Libor +10bp. l) Long 1st coupon. m) Fungible with E2bn. Plus 228 days accrued. n) Fungible with £500m. Plus 132 days accrued. o) Fungible with £300m. Plus 199 days accrued. p) Oesterreichische Pfandbrief. q) Callable after 8 yrs at par. q1) 10¼% in yr 1, 6% in yr 2, 5½% in yr 3, 5% in yrs 4-7, 5% or inverse coupon (issuers option) in yrs 8-8, then 15% - 2 x 12-mth Libor. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Border Television 5p
Bulmer (HP) 9.8p
Carpetright 12.5p
Commonwealth Bank of Australia 8¾% Nts 2000 A$87.50
Golden Vale IR0.8p
Jacobs Hldgs 0.55p
Kirin Brewery Y6.0
Rexam 6.5p
Santander Fin Iss Sb Gtd FRN 2004 $309.26
Uny 3.7% Nts 1998 Y370000.0
Ushers of Trowbridge 1.45p
Young & Co's Brewery 9½% Db 2018 £4.75

■ TOMORROW
ATA 2p
Aeroquip-Vickers $0.22
Atlantic Richfield $0.7125
British Telecom 7¼% Bd 2003 £71.25
Brunswick $0.125
CSX $0.30
Cadbury Schweppes 8¾% Cm Cap Int Ser A $0.539063
Canadian Gen Invs C$0.075
Clarke (T) 2.543p
Dover $0.105
Edinburgh Inv Tst 3.65% Cm Pf 1.825p
English & O'seas Props 0.33p
Glenchewton 0.84p
Granada FRN 1999 £2101.51
Guaranteed Export Credit Fin 10⅝% Gtd Bd 2001 £1062.50
Limited $0.13
Morrison (Wm) Supermarkets 5¼% Rd Pf 2.625p
Newcastle Bldg Scty 12⅝% Perm Int Brg £63.125
Pennzoil $0.25
Quebec 12¼% Ln 2020 £6.125
Seagram $0.165
Sweden 9¾% Ln 2014 £487.50
TRW $0.31
Thomson $0.155
Whirlpool $0.34

■ WED SEPTEMBER 16
Anglo & O'seas Tst 1.1p
Beaufort 0.068p
Santander Fin Iss Sb Und Var Rate Nts $4208.68
Tamaris 0.06229p
Templeton Emerging Mkts Inv Tst 1.1p

■ THURS SEPTEMBER 17
Chase Manhattan FRN 2009 $148.54
Daiwa Europe Bank FRN 2000 Y141150.0
Hibernian IR4.6p
Hongkong & Shanghai Banking Prim Cap Und FRN (Ser 2) $75.87
Masthead Insurance Underwriting 2p
Midland Int Fin Gtd FRN 1999 $293.89
Nihon Doro Kodan 6⅞% Gtd Bd 2007 $675.0
Royal Bank of Canada Fltg Rate Db 2085 $150.14
Spintab FRN Sep 1998 $151.74
Total Systems 1p
Zotefoams 2.4p

■ FRI SEPTEMBER 18
Aegon FL0.93
American Int $0.056
Anglo American Platinum R1.90
Anglogold R7.50
BPI Cap Fin Ser A FR N/Vtg Pf $0.49
Coutts Consulting 0.25p
Fairfield Enterprises 3p
Foreign & Colonial Inc Grwth Inv Tst 0.8p
Goode Durrant 8p
Hall Eng 3.775p
Kingfisher Leisure 1.33p
Lloyds Bank Ser C Var Rate Nts 1998 £198.02
Lomond Underwriting 12.5p
Martin Currie Moorgate Inv Tst 3.15p
Northern Ireland Elec 6⅞% Bd 2018 £34.38
Sira Business Services 0.0353p
State Elec Comm of Victoria 9¼% Gtd Nts 2003 A$92.50
Symonds 1.2p
Taverners Tst 0.25p
Vega 3.5p
Vogels Metal R0.50

■ SAT SEPTEMBER 19
Coral Products 1.5p
Treasury 11½% 2001/04 £5.75

■ SUN SEPTEMBER 20
Exchequer 10½% 2005 £5.25

UK COMPANIES

■ TODAY
BOARD MEETINGS:
Finals:
Allied Leisure
City Technology
Dowding & Mills
European Leisure
Goodhead
Hays
Polypipe
Regent Inns
Whittard of Chelsea
Interims:
ASW
Britannia
CA Coutts
Fairey
Haden Maclellan
Manganese Bronze, Morgan Crucible
NMT
Sinclair Montrose, Swan Hill
Thomson Travel, T & S,
Travis Perkins
Ulster TV

■ TOMORROW
COMPANY MEETING:
ASDA, Pudsey Civic Hall, Leeds, 11.00

BOARD MEETINGS:
Finals:
Alumasc
Compel, Cortecs
Dorling Kindersley
Mucklow (A & J)
Redrow
Wetherspoon (JD)
Interims:
Britax
Capital Corp, Capital Inds
Delta, Dixon Motors, DRS Data & Research
Hunting
Independent Radio
Mithras Inv Tst
TT
United Overseas

■ WED SEPTEMBER 16
BOARD MEETINGS:
Finals:
Ring
Tepnel Life Sciences, Thorpe (FW), Towry Law
Verity
Interims:
Abbott Mead Vickers, Alliance UniChem, Ash & Lacy
Baynes (Charles), BG, Britannic Assurance
Cussins Property
Dairy Farm Int
Fulmar
Hong Kong Land
Kingfisher
Mandarin Oriental, Matthews (Bernard), Meristem
PTS
Ruberoid
Taylor & Francis, Tilbury Douglas

■ THURS SEPTEMBER 17
COMPANY MEETING:
Symonds, New Connaught Rooms, Great Queen Street, W.C., 10.00
BOARD MEETINGS:
Finals:
Leeds Sporting
Tor Inv Tst
Quayle Munro
Interims:
Bovis Homes, British Aerospace
Cordiant Comms
Dolphin Packaging
Folkes
Jardine Matheson, Jardine Strategic
Kwik-Fit
MDIS, Morrison (Wm) Supermarkets
Next
Princedale
Trinity
Wolstenholme Rink

■ FRI SEPTEMBER 18
COMPANY MEETING:
Vibroplant, Rudding House, Rudding Park, Harrogate, North Yorkshire, 10.00

BOARD MEETINGS:
Interims:
Blue Circle
Hanover Intl

Company meetings are agm unless otherwise stated.
Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

Financial Times Surveys

FT Director

Friday November 20

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FINANCIAL TIMES
No FT, no comment.

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October 15
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OCTOBER 28
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Confirmed speakers include Mr Tim Capon, Director, De Beers, Mr James R Rothwell, BHP Diamonds Inc; Mr Paulino Neto, Managing Director, ENDIAMA.
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Macroeconomic Implications of Subnational Borrowing
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Regional and Local Capacity for Financial Management
The View from the Market
Choice of Instruments and Borrowing Structures
Credit Ratings and Financial Guarantors
Borrowing through Financial Intermediaries
Debt Management
Transparency and Information Disclosure
Collateralization
Financial Management and Funding Strategies
Dealing with Non-Performing Subsovereign Borrowers (Argentinean and Brazilian cases)
Financing Typical Subnational Investment (revenue bonds)
EuroBonds
Financing of Infrastructure Investments on the Account of the Municipality (G O Bonds)
Vehicles for Joint Public Investments

MAIN SPEAKERS
Michael Baxth, *Director, Capital Markets Development Department, World Bank*
Ana Patricia Botín, *Chief Executive Officer, Santander Investment, Spain*
Shahid Javed Burki, *Vice-President for the Latin America & Caribbean Region, World Bank*
Martin Burt, *Mayor of Asunción, Paraguay*
Gabor Demszky, *Mayor of Budapest, Hungary*
Luiz Paulo Fernandez Conde, *Mayor of Rio de Janeiro, Brazil*
Ricardo Hausmann, *Chief Economist, Inter-American Development Bank*
Danny Leipziger, *Director, Finance, Private Sector and Infrastructure Department, World Bank*
Jose Joaquin Martinez Sieso, *President, Cantabrian Autonomous Community, Spain*
Guillermo Perry, *Chief Economist, Latin America and the Caribbean Region, World Bank*
Gonzalo Piñeiro, *Mayor of Santander, Spain*
Mark Schneider, *Assistant Administrator, Bureau for Latin America and the Caribbean, U.S. Agency for International Development*
Teresa Ter-Minassian, *Deputy Director, Western Hemisphere Department, International Monetary Fund*

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For additional information and registration contact L. Kumar Arora at (202) 473-9328, Fax (202) 676-0239, e-mail [illegible]@worldbank.org
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Wednesday 7 october 1998 from 9.00 to 17.30. Hotel President Wilson, Geneva

International Seminar on Investment Fund management
«From a Financial Instrument to a Tool for Asset Management»

LE TEMPS together with Banque Cantonale de Genève, Union Bancaire Privée (UBP) and PricewaterhouseCoopers will host an international seminar on investment fund management to be held in Geneva on 7 october 1998.

Programme	Wednesday 7 october 1998
9.00 - 9.15	Introductory Remarks
9.15 - 10.30	Investors and the Global Market • The point of view of Professor Brian Hindley, London School of Economics
10.30 - 11.00	Coffee break
11.00 - 12.30	Investors' Behaviour and the Money Market • Alfred Strebel, Sales Director and Head of Sales, Fidelity Investments, Zurich • Pierre Chaix, Divisional Director (Europe), Schroders Securities Ltd, London
12.30	Lunch
14.00 - 15.30	Sectoral and Thematic Portfolio Management • Guy Monson, Managing Director, Sarasin Investment Management Ltd, London • Yvar Mentha, Head, Product Department, Lombard Odier & Cie, Geneva
15.30	Break
16.00 - 17.30	New Benchmarks • Serge Ledermann, Director, UBP Asset Management • Michael McShee, Managing Director, Bark Consultants, Switzerland • Yves Maufrini, Member of Management, UBP Asset Management • Geneviève Ferone, Director General, Arese S.A., Paris
17.30	End of seminar - Cocktail reception

The seminar will be conducted in English

Organization
Date: Wednesday 7 october 1998, from 9.00 to 17.30 • **Venue:** Hotel President Wilson, 47 Quai Wilson - 1201 Geneva. Tel: +(41 22) 906 66 66 - Fax: +(41 22) 906 66 67 • **Seminar fee:** CHF 700.- per participant. Each participant will receive a full documentation package. The fee includes lunch. • **Registration:** Please return the attached form by mail to: LE TEMPS, Seminars department, P.O. Box 316, 1215 Geneva 15 or by fax: +(41 22) 799 58 01 or register by e-mail: carine.didry@letemps.ch • **Closing date:** Monday 28 september 1998 • **Additional information:** Ms. Carine Didry, LE TEMPS, Marketing department; Tel: +(41 22) 799 58 00.

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CURRENCIES & MONEY

Pressure on dollar

The relief in the currency markets following the publication of the Starr report on President Clinton may not give much of a boost to the US dollar.

During trading on Friday the dollar fell to its lowest levels against the D-Mark for over a year. It was also at it weakest against the Swiss franc for 20 months.

Once the report was released, Wall Street recovered, and the dollar may follow it higher today. The appointment of Yevgeny Primakov as Russia's prime minister may also help but any bounce-back by dollar is likely to be limited.

With a rate cut, or at least a more neutral bias, expected by the Federal Reserve over the coming months, and the possibility of financial melt-down spreading to Latin America, the dollar is likely to be eyed suspiciously by traders, especially against the D-Mark.

"We believe the current pressure on the dollar against the D-Mark will persist, reflecting both the prospect of narrowing interest rate differentials between the US and the euro-zone in 1999 and the continuing uncertainty over President Clinton," noted Bank of Tokyo-Mitsubishi in London.

Friday saw many buyers but few sellers of short-dated dollar option contracts in Chicago, causing volatility spreads to widen on the dollar/D-mark cross-rate as a result of the Clinton and South America worries.

In fact, the outward drain of foreign currency from Brazil was partially staunched on Friday, thanks to a 20 per cent interest rate rise by the central bank there late on Thursday.

Banks in São Paulo estimated that around $1bn worth was sold on the commercial and floating foreign exchange markets, compared to Thursday's $2.2bn flood. The Real's local exchange rate closed unchanged against the US dollar at R$1.179, while on the floating market it was at R$1.18. On the parallel market the Real was squeezed to R$1.32.

POUND SPOT FORWARD AGAINST THE POUND

Sep 11 — Closing mid-point, Change on day, Bid/offer spread, Day's Mid high/low, One month Rate %PA, Three months Rate %PA, One year Rate %PA, Bank of Eng. Index

[illegible]

† Rates for Sep 10. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 11 — Closing mid-point, Change on day, Bid/offer spread, Day's mid high/low, One month Rate %PA, Three months Rate %PA, One year Rate %PA, J.P. Morgan Index

[illegible]

		Closing mid-point	Change on day	Bid/offer spread	Day's high	Day's low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Singapore	(S$)	1.7185	-0.012	170 - 200	1.7380	1.7165	1.717	1.0	1.7175	0.2	1.7205	-0.1	-
South Africa	(R)	6.2648	-0.0052	600 - 695	6.3500	6.2500	6.3508	-16.5	6.5323	-17.1	7.3248	-16.9	-
South Korea	(Won)	1367.50	-1	500 - 000	1374.00	1335.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.4950	-0.0535	700 - 200	34.5560	34.4500	34.57	-2.6	34.795	-3.5	35.77	-3.7	-
Thailand	(Bt)	40.9000	+0.195	500 - 500	40.9700	40.8500	41.1	-5.9	41.75	-8.3	45.025	-10.1	-

† SDR rate per $ for Sep 10. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 10. Base average 1990=100. Bid, offer, and spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Sep 11	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
week ago	[illegible]	[illegible]	[illegible]	3½	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	3½	[illegible]	4.60	-	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	3½	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.19
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	5.24
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	4.98
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	5½	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	5½	-	-	-
US Dollar CDs	-	5.43	5.38	5.32	5.26	-	-	-
week ago	-	5.43	5.38	5.32	5.26	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	4	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	4	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

■ POUND IN NEW YORK

Sep 11	--Close --	-- Prev. close --
£ spot	1.6730	1.6895
1 mth	1.6704	1.6869
3 mth	1.6652	1.6815
1 yr	1.6450	1.6620

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

EURO CURRENCY INTEREST RATES

Sep 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.53	94.50	-0.02	94.56	94.49	101,660	390,862
Dec	94.90	94.84	-0.04	95.00	94.84	159,808	454,928
Mar	94.12	95.03	-0.08	95.20	95.01	211,824	469,977

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.34	95.24	-0.12	95.38	95.24	224	3,192
Dec	95.80	95.72	-0.08	95.90	95.71	150	949
Mar	95.87	95.88	-0.10	96.02	95.87	18	101

All Open Interest figs. are for previous day

■ OTHER CURRENCIES

Sep 11	£	$
Czech Rp	50.8370 - 50.9821	30.1990 - 30.2690
Hungary	368.782 - 369.148	219.070 - 219.170
Iran	5052.90 - 5050.20	3000.00 - 3000.00
Kuwait	0.5097 - 0.5108	0.3028 - 0.3033
Peru	5.1680 - 5.1742	3.0700 - 3.0720
Poland	6.0939 - 6.1309	3.6200 - 3.6400
Russia	19.1908 - 19.8747	11.4000 - 11.8000
U.A.E.	6.1828 - 6.1866	3.6728 - 3.6731

BANK RETURN
The Bank Return table can be found on page 31 in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.26	4.844	1.937	4788	5.465	21.66	496.7	411.9	22.51	3.983	1.705	4.343	2.870	376.1	2.467
Denmark	(DKr)	54.07	10	8.791	2.619	1.047	2589	2.955	11.71	268.6	222.7	12.17	2.153	0.922	2.348	1.552	203.4	1.334
France	(FFr)	61.51	11.38	10	2.980	1.191	2945	3.362	13.32	305.5	253.3	13.85	2.450	1.048	2.672	1.765	231.4	1.518
Germany	(DM)	20.64	3.818	3.356	1	0.400	988.3	1.128	4.471	102.5	85.02	4.647	0.822	0.352	0.897	0.592	77.64	0.509
Ireland	(I£)	51.63	9.549	8.394	2.501	1	2472	2.822	11.18	256.4	212.7	11.62	2.056	0.880	2.242	1.482	194.2	1.274
Italy	(L)	2.089	0.386	0.340	0.101	0.040	100	0.114	0.452	10.37	8.603	0.470	0.083	0.036	0.091	0.060	7.856	0.052
Netherlands	(Fl)	18.30	3.384	2.975	0.886	0.354	876.0	1	3.963	90.88	75.36	4.119	0.729	0.312	0.796	0.525	68.82	0.451
Norway	(NKr)	46.17	8.539	7.507	2.237	0.894	2211	2.523	10	229.3	190.2	10.39	1.839	0.787	2.005	1.325	173.7	1.139
Portugal	(Es)	20.13	3.724	3.273	0.975	0.390	963.9	1.100	4.360	100	82.92	4.533	0.802	0.343	0.874	0.578	75.73	0.497
Spain	(Pta)	24.28	4.490	3.947	1.176	0.470	1162	1.327	5.258	120.6	100	5.466	0.967	0.414	1.055	0.697	91.32	0.599
Sweden	(SKr)	44.42	8.215	7.222	2.152	0.860	2127	2.428	9.620	220.6	183.0	10	1.769	0.757	1.929	1.275	167.1	1.096
Switzerland	(SFr)	25.11	4.644	4.082	1.216	0.486	1202	1.372	5.438	124.7	103.4	5.653	1	0.428	1.091	0.721	94.45	0.620
UK	(£)	58.67	10.85	9.538	2.842	1.136	2809	3.206	12.71	291.4	241.6	13.21	2.336	1	2.548	1.684	220.7	1.447
Canada	(C$)	23.02	4.258	3.743	1.115	0.446	1102	1.258	4.987	114.4	94.83	5.183	0.917	0.392	1	0.661	86.60	0.568
USA	($)	34.84	6.444	5.664	1.688	0.675	1668	1.904	7.546	173.1	143.5	7.844	1.388	0.594	1.513	1	131.0	0.860
Japan	(Y)	26.59	4.917	4.322	1.288	0.515	1273	1.453	5.758	132.1	109.5	5.985	1.059	0.453	1.155	0.763	100	0.656
Ecu	-	40.53	7.496	6.590	1.964	0.785	1941	2.215	8.779	201.3	166.9	9.125	1.614	0.691	1.760	1.163	152.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.5941	0.5900	-0.0022	0.5951	0.5897	15,814	56,082
Dec	0.5970	0.5931	-0.0022	0.6018	0.5924	61,392	122,667
Mar	0.5999	0.5954	-0.0022	0.5999	0.5955	86	152

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.7297	0.7188	-0.0021	0.7269	0.7182	5,653	52,429
Dec	0.7300	0.7259	-0.0022	0.7372	0.7250	27,987	55,421
Mar	0.7363	0.7322	-0.0023	0.7368	0.7320	20	47

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.7497	0.7643	+0.0204	0.7685	0.7430	12,609	69,807
Dec	0.7554	0.7744	+0.0206	0.7875	0.7533	31,900	78,259
Mar	0.7820	0.7841	+0.0205	0.7875	0.7815	342	2,056

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.6960	1.6724	-0.0166	1.6960	1.6710	6,129	26,762
Dec	1.6816	1.6646	-0.0166	1.6870	1.6626	18,525	52,261
Mar	1.6750	1.6576	-0.0165	1.6750	1.6570	[illegible]	15

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.670	1.34	2.51	2.95	-	1.47	2.12
1.680	0.47	1.98	2.51	0.13	1.88	2.55
1.690	0.08	1.52	2.02	0.69	2.44	3.11

Previous day's vol., Calls 37 Puts 210 . Prev. day's open int., Calls 1,576 Puts 18,356

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
0.585	0.58	1.44	1.70	0.01	0.70	0.89
0.590	0.20	1.15	1.42	0.08	0.92	1.11
0.595	0.04	0.90	1.17	0.36	1.17	1.36

Previous day's vol., Calls 676 Puts 158 . Prev. day's open int., Calls 3,914 Puts 14,786

BENCHMARK GOVERNMENT BONDS

Sep 11	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.4566	4.85	-0.17	-0.52	-0.43	+0.06
	06/08	8.750	128.5075	5.28	-0.13	-0.40	-0.32	-1.13
Austria	07/00	5.875	103.9700	3.59	+0.01	-0.19	-0.36	-0.60
	01/08	5.000	105.4700	4.27	-0.02	-0.22	-0.40	-1.43
Belgium	01/00	4.000	100.6500	3.56	+0.02	-0.13	-0.27	-0.45
	03/08	5.750	110.9200	4.32	-	-0.19	-0.42	-1.42
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing. *New York closing. Yields: Local market standard. [illegible]

UK INTEREST RATES

LONDON MONEY RATES

Sep 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¾ - 5	7¾ - 7	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	7½ - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	7½ - 7¼	7½ - 7¼	-	7¼ -	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Sep 4, 7.0964pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 28, 1998. Agreed rate for period Sep 23, 1998 to Oct 25, 1998, Scheme III 8.99pc. Reference rate for period Aug 1, 1998 to Aug 28, 1998, Schemes IV & V 7.740pc. Finance House Base Rate 8pc from Sep 1, 1998.

BANK OF ENGLAND TREASURY BILL TENDER

	Sep 11	Sep 4		Sep 11	Sep 4
Bills on offer	£100m	£100m	Top accepted rate	6.9392%	7.0994%
Total of applications	£719m	£696m	Ave. rate of discount	6.9891%	7.0964%
Total allocated	£100m	£100m	Average yield	7.1130%	7.2241%
Min. accepted bid	£98.255	£98.230	Offer at next tender	£100m	£100m
Allotment at min. level	100%	57%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	Sun Bank	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	TSB	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	United Bank of Kuwait	7.50
Banco Bilbao Vizcaya	7.50	Habib Bank AG Zurich	7.50	Unity Trust Bank Plc	7.50
Bank of Cyprus	7.50	Heritable & Gen Inv Bk	7.50	Whiteaway Laidlaw	7.50
Bank of Ireland	7.25	C. Hoare & Co	7.50	Yorkshire Bank	7.50
Bank of India	7.50	Hongkong & Shanghai	7.50		
Bank of Scotland	7.50	Investec Bank (UK) Ltd	7.50	● Members of London Investment Banking Association	
Barclays Bank	7.50	Julian Hodge Bank	7.50		
Brit Bk of Mid East	7.50	●Leopold Joseph & Sons	7.50		
●Brown Shipley & Co Ltd	7.50	Lloyds Bank	7.50		
Citibank NA	7.50	Midland Bank	7.50		
Clydesdale Bank	7.50	NatWestminster	7.50		
The Co-operative Bank	7.50	●Rea Brothers	7.50		
Coutts & Co	7.50	Royal Bk of Scotland	7.50		
Cyprus Popular Bank	7.50	Scottish Widows Bank	7.50		
Duncan Lawrie	7.50	●Singer & Friedlander	7.50		
		Smith & Williamson	7.50		

UK GILTS PRICES

Notes, Price £, Wk % +/-, Amnt £m, Interest due, Last xd, City line

[illegible]

Other Fixed Interest

[illegible]

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In accordance with the provisions of the Notes, notice is hereby given, that for the three month period September 10, 1998 to December 10, 1998 the Notes will carry an interest Rate of 8 per cent. per annum with a coupon amount of £1 994 52
By The Chase Manhattan Bank London, Agent Bank
September 14 1998
CHASE

RMS 1
Residential Mortgage Securities 1 plc
Mortage Backed Floating Rate Notes due 2034
In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period 9th September, 1998 to 9th December, 1998, the interest rate will be 7.65781 percent. for the Class A Notes, 7.90781 per cent. for the Class M Notes, and 10.50781 per cent. for the Class B Notes. The interest payable on each denomination on 9th December, 1998 will be £104.59, £197.15 and £261.98 respectively.
Bankers Trust Company, London Agent Bank

PORTMAN BUILDING SOCIETY
(Incorporated in England under the Building Societies Act 1986)
£150,000,000
Floating Rate Notes due 1999
In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the three months from 10th September 1998 to 9th December 1998 the Notes will bear interest at 7.58391% per annum.
The interest amount payable per £10,000 Note will be £189.08 and per £100,000 Note will be £1,890.78 on 10th December 1998.
AGENT BANK
BARCLAYS

صكنا من الاجل

EURO PRICES

EQUITIES

Europe set to track Wall Street

EUROPEAN OVERVIEW

By Martin Dickson, Financial Editor

European equity markets, which fell sharply late last week in response to emerging market gloom and US political uncertainty, are likely to remain volatile this week and closely track the mood on Wall Street.

The FTSE Eurotop 300 index closed on Friday night at 1,044.69, down 6.61 on the day, while the FTSE Eurotop 100 ended down 16.87 at 2,405.96.

The FTSE Ebloc 100 index, which tracks companies from founder members of European monetary union, ended down 5.93 points at 867.07.

The 300 index finished with a loss of 33.7 points on the week, or 3 per cent.

Factors weighing on the market this week will include the possibility of President Clinton being impeached and the risk that financial contagion will spread through the markets of Latin America.

In a research note, the European team at ABN-Amro pointed out that the divergent trend seen recently in Europe interest rates, between "core" and "peripheral" currency countries, had not been directly replicated in the equity markets.

"While many of the peripheral equity markets have lagged, the performance picture has been very diverse and not particularly closely linked to any divergence in bond yields."

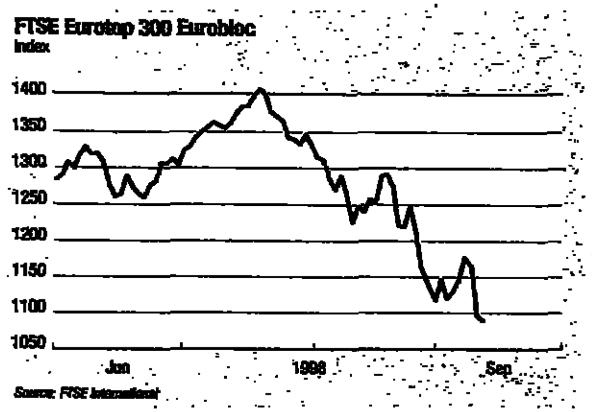
Ireland had been the hardest hit market in recent weeks, but Portugal had outperformed. In core countries France had outperformed Germany.

The paper argued that th[e] driving force behind t[he] trends was the broad theme of the wholesa[le] d[um]ping of financial stocks b[y e]quity investors since the [As]ian crisis broke.

[Th]e underperformance of [fin]ancials had been so [mar]ked that "much of the [rel]ative performance of the [nat]ional equity markets over [th]e past month or so can be [ex]plained simply in terms of [th]e percentage weighting of [ba]nks in each market".

Financials were the worst [h]it sector in Friday trading, with the FTSE economic grouping falling 2.57 per cent. Within that, retail banks fell by 2.85 per cent, life insurance dropped 4.53 per cent and other financials 2.64 per cent.

FTSE Eurotop 300 Eurobloc



Source: FTSE International

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	-	95.860	-	-	-	0	0
Dec	96.420	96.390	+0.030	96.420	96.390	306	9167
Mar	-	96.570	+0.005	-	-	0	5209
Jun	-	96.560	-0.015	-	-	0	2021

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
96000	0	0.390	0.395	0.405	0.140	0	0.005	0.015
96125	0				0.265			

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2380.0	2395.0	-30.0	2395.0	2380.0	6	2782
Dec	2417.0	2417.0	-32.0	2417.0	2417.0	3	2781
Mar	-	2426.5	-32.0	-	-	0	117

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2475 C	2475 P	2500 C	2500 P	2525 C	2525 P	2550 C	2550 P	2575 C	2575 P	2600 C	2600 P	2625 C	2625 P	2650 C	2650 P
Sep	44	92	65	107	28	142	15	164	11	185	8	208	7	231	6	254
Oct	118	150	132	163	87	177	75	191	66	207	57	222	49	239	42	258

Est vol total - Prev day's open interest total 7,457. Premiums shown are based on settlement prices

OTHER INDICES

	Sep 11	Sep 10	Sep 9	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	2900.26	2914.00	3061.89	3670.82	2574.51	3670.82	2900.25
DJ Euro Stx 50	2890.98	2903.71	3051.49	3858.48	2466.81	3858.48	2865.52
MSCI Europe	(u)	1052.69	1101.50	1315.55	980.50	1315.55	510.78

Source. Extel/part of FT Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with [the Faculty] and Institute of Actuaries

September 11 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1044.69	[illegible]63	-6.61	2.72	22.24	1072.39
FTSE Eurotop 100	2405.96	[illegible]70	-16.87	2.68	32.89	959.88
FTSE Ebloc 100	867.07	[illegible]68	-5.93	2.32	13.37	878.45
FTSE Eurotop 300 Regions						
Eurobloc	1091.3[illegible]	-0.75	-8.29	2.37	19.78	1112.85
UK	966.1[illegible]	-0.44	-4.27	3.34	28.84	1007.79
Europe Ex-Eurobloc	1007.5[illegible]	-0.50	-5.04	3.10	23.66	1038.86
Europe Ex-UK	1090.[illegible]	-0.72	-7.92	2.42	18.53	1108.95
FTSE Eurotop Industry Sectors						
RESOURCES	832[illegible]	+3.43	+27.59	3.48	21.81	853.31
Extractive Industries	678[illegible]	+1.95	+12.94	5.22	0.00	878.31
Oil, Integrated	80[illegible]	+3.50	+27.30	3.39	15.03	821.05
Oil, Exploration & Prod	57[illegible]	+2.14	+11.97	5.91	0.00	571.37
GENERAL INDUSTRIES	[illegible]	+0.19	+1.88	2.83	19.53	1013.39
Construction	[illegible]	-2.33	-21.36	2.82	11.06	905.54
Building Matls & Merchs	[illegible]	-1.32	-10.80	3.25	8.05	814.56
Chemicals	[illegible]	+1.09	+8.67	3.00	16.87	819.58
Diversified Industrials	[illegible]	+0.83	+7.31	2.46	17.48	903.44
Electronic & Elect Equip	[illegible]5	+0.25	+2.18	1.95	4.89	868.73
Engineering	[illegible]8	+0.54	+4.52	3.98	9.57	856.92
Paper, Pckg & Printing	[illegible]4	-0.84	-6.19	3.19	1.21	731.55
CONSUMER GOODS	[illegible].28	-0.09	-0.96	1.72	15.04	1085.07
Automobiles	[illegible].59	-0.91	-8.00	3.00	10.25	878.67
Alcoholic Beverages	[illegible].24	-0.36	-2.86	2.75	5.82	788.95
Food Producers	[illegible].08	-0.37	-3.27	1.83	9.37	888.08
Household Goods & Texts	[illegible]7.91	-1.74	-16.99	2.03	7.01	984.16
Healthcare	[illegible]4.01	+8.16	+66.67	1.34	9.52	893.00
Pharmaceuticals	[illegible]56.94	+0.20	+1.95	1.38	4.27	961.12
Tobacco	101.28	+0.46	+5.00	4.00	1.81	1103.33
SERVICES	[illegible]086.31	-1.17	-12.85	2.43	20.97	1114.53
Distribution	730.16	-2.59	-19.38	3.04	11.37	738.37
Leisure & Hotels	708.78	-1.38	-9.93	3.54	12.27	718.05
Media	926.85	+0.11	+1.02	2.51	9.63	935.68
Retailers, Food	970.71	-1.55	-15.24	3.08	11.37	981.85
Retailers, General	963.36	-0.63	-6.09	3.57	16.53	979.05
Telecommunications	975.22	-1.89	-18.78	2.00	13.02	987.07
Breweries, Pubs & R[illegible]	786.97	-0.25	-1.98	3.44	14.20	798.93
Support Services	884.36	-0.65	-5.76	1.69	6.84	890.55
Transport	891.48	+1.15	+10.17	2.75	11.76	901.46
Information Techno[illegible]	1088.54	-2.11	-23.38	0.38	2.23	1089.02
UTILITIES	1358.47	+1.07	+14.44	3.24	53.32	1491.98
Electricity	1030.38	+0.95	+9.68	3.40	26.23	1057.90
Gas Distribution	1047.80	+1.92	+19.77	1.74	84.81	1144.29
Water	1033.72	+0.29	+2.99	4.94	38.72	1073.20
FINANCIALS	1052.96	-2.57	-27.72	3.22	26.40	1080.15
Banks, Retail	723.98	-2.85	-21.21	4.24	12.52	733.22
Insurance	817.71	-1.71	-14.20	1.69	11.45	827.25
Life Insurance	971.44	-4.53	-46.05	1.74	9.10	979.79
Other Financial	757.84	-2.64	-20.57	2.68	14.05	768.35
Investment Cos	858.50	+2.20	+18.41	2.99	20.68	872.51
Property	771.06	+0.57	+4.40	3.45	16.01	785.22

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FTSE EUROTOP 300

Name	Price (Ecu)	Chge + or -	Mkt cap Ecu(bn)	Vol (m)	Yld
ALCOHOLIC BEVERAGES					
Allied Dom	6.73	-4	7.0	5.8	5.3
Carlsberg A	57.29	+1.2	2.8	-	0.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DISTRIBUTORS					
Adidas Salom	93.71	-3.5	4.2	0.1	0.9
Electrocomps	5.23	-	2.2	0.4	3.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The remainder of the FTSE Eurotop 300 listing (sections including AUTOMOBILES, BANKS RETAIL, BREWERIES, PUBS & RESTAURANTS, BUILDING MATERIALS & MERCHANTS, CHEMICALS, CONSTRUCTION, DIVERSIFIED INDUSTRIALS, ELECTRICITY, ELECTRONIC & ELECTRICAL EQPT., ENGINEERING, EXTRACTIVE INDUSTRIES, FOOD PRODUCERS, GAS DISTRIBUTION, HEALTH CARE, HOUSEHOLD GOODS & TEXTILES, INFORMATION TECHNOLOGY, INSURANCE, INVESTMENT COMPANIES, LEISURE & HOTELS, LIFE INSURANCE, MEDIA, OIL, EXPLORATION & PRODUCTION, OIL, INTEGRATED, OTHER FINANCIAL, PAPER, PACKAGING & PRINTING, PHARMACEUTICALS, PROPERTY, RETAILERS, FOOD, RETAILERS, GENERAL, SUPPORT SERVICES, TELECOMMUNICATIONS, TOBACCO, TRANSPORT, WATER) is [illegible].

Notes [illegible]

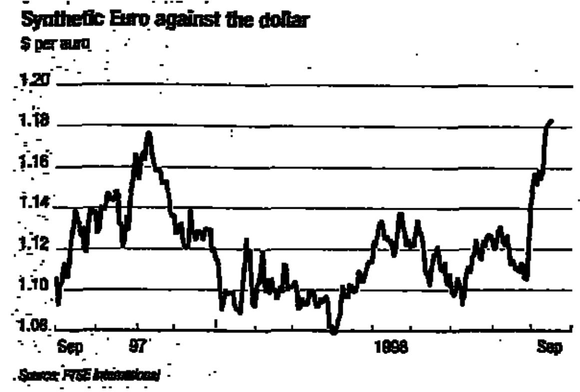
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Sep 11	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.053423	-0.0048	-0.03	-0.0069	-0.05
Belgium	BEF	41.228486	-0.0064	-0.02	-0.0017	+0.00
Czech Republic	CZK	35.777900	+0.0062	+0.02	+0.2369	+0.67
Denmark	DKK	7.625021	+0.0127	+0.17	+0.0155	+0.20
Finland	FIM	6.061793	+0.0001	+0.00	+0.0026	+0.04
France	FRF	6.702824	+0.0016	+0.02	+0.0028	+0.04
Germany	DEM	1.987266	-0.0007	-0.03	-0.0010	-0.05
Greece	GRD	344.193953	-0.4278	-0.12	-0.9918	-0.29
Hungary	HUF	258.299247	+0.1762	+0.07	+2.8291	+1.10
Ireland	IEP	0.798536	+0.0004	+0.05	+0.0011	+0.14
Italy	ITL	1973.855166	+0.7335	+0.04	+0.2746	+0.01
Luxembourg	LUF	41.228486	-0.0064	-0.02	-0.0017	+0.00
Netherlands	NLG	2.253248	-0.0011	-0.05	-0.0018	-0.08
Norway	NOK	8.929328	-0.0626	-0.70	+0.0526	+0.59
Poland	PLN	4.295620	+0.0918	+2.18	+0.0505	+1.19
Portugal	PTE	204.781557	+0.0242	+0.01	+0.0190	+0.01
Romania	ROL	10709.465979	+34.6884	+0.32	+355.2746	+3.43
Russia	RUB	13.727050	-1.6600	-11.93	-9.0536	-39.74
Slovakia	SKK	41.182334	+0.0242	+0.06	+0.6906	+1.71
Spain	ESP	169.813079	+0.0676	+0.04	+0.1693	+0.10
Sweden	SEK	9.281734	-0.0775	-0.83	+0.1322	+1.44
Switzerland	CHF	1.641921	+0.0007	+0.04	+0.0022	+0.13
United Kingdom	GBP	0.702801	+0.0004	+0.06	+0.0143	+2.07
ECU	ECU	1.017222	+0.0010	+0.10	+0.0033	+0.33
Americas						
Brazil	BRL	1.394716	+0.0026	+0.19	+0.0377	+2.77
Canada	CAD	1.790670	+0.0050	+0.28	+0.0278	+1.57
Mexico	MXN	12.484516	+0.0031	+0.02	+0.8003	+6.85
United States	USD	1.183368	+0.0025	+0.21	+0.0314	+2.72
Pacific/Middle East/Africa						
Australia	AUD	1.965690	-0.0130	-0.66	+0.0030	+0.15
Hong Kong	HKD	9.170735	+0.0198	+0.22	+0.2560	+2.87
Japan	JPY	155.074251	-3.2939	-2.08	+0.3201	+0.21
Singapore	SGD	2.033615	-0.0098	-0.48	+0.0193	+0.96
South Africa	ZAR	7.413554	+0.0097	+0.13	+0.2426	+3.38

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0167.

Synthetic Euro against the dollar



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

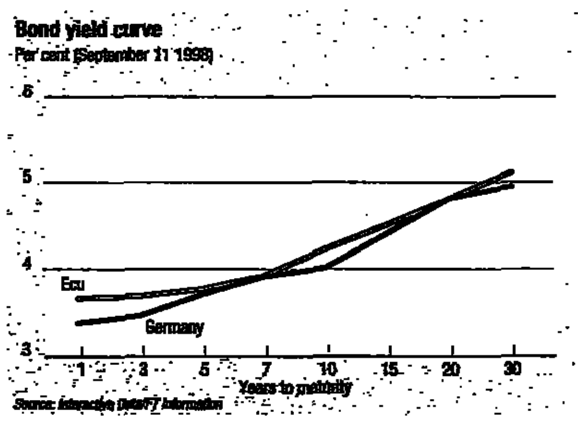
Sep 11	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0363	+0.01	+0.01	7.0374	3.53	+0.05
Belgium	20.6255	20.6423	+0.08	+0.04	20.6453	3.53	+0.05
France	3.35386	3.359	+0.06	-0.03	3.3566	3.54	+0.06
Finland	3.04001	3.045	+0.16	+0.07	3.0453	3.51	+0.03
Ireland	0.402676	0.3998	-0.71	-0.80	0.4022	5.47	+1.99
Italy	990.002	988.2688	-0.18	-0.24	992.2534	4.81	+1.33
Luxembourg	20.6255	20.6423	+0.08	+0.04	20.6453	3.53	+0.05
Netherlands	1.12674	1.1282	+0.13	+0.16	1.1278	3.36	-0.12
Portugal	102.505	102.5299	+0.02	-0.03	102.7214	4.1	+0.62
Spain	85.0722	85.0219	-0.06	-0.21	85.1943	4.15	+0.67
Germany	1		+0.00	+0.00		3.48	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

Bond yield curve

Per cent (September 11 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

Sep 11	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	110.920	4.32	+0.00	-0.42	+0.08
France (Rep of)	04/08	5.250	N/A	108.370	4.17	+0.00	-0.43	-0.07
Italy (Rep of)	05/08	5.000	AA	104.280	4.45	+0.02	-0.28	+0.21
Portugal (Rep of)	06/08	5.375	AA-	107.340	4.43	+0.01	-0.32	+0.19
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	103.832	3.91	-0.02	-0.44	+0.19
Gen Electric Cap Crp	10/04	5.500	AAA	107.900	4.00	-0.02	-0.45	+0.18
Oest. Kontrollbank	04/08	5.250	AAA	105.630	4.51	+0.04	-0.23	+0.27
Cred Local de France	04/06	5.250	AA+	104.840	4.64	+0.06	-0.23	+0.40
Ecu Issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA-	102.928	3.87	-0.03	-0.39	+0.16
Cred Foncier France	03/04	8.375	A	118.625	4.47	+0.06	-0.49	+0.65
Euro Inv Bank	04/04	5.250	AAA	106.890	3.85	+0.00	-0.44	+0.03
ABN Amro Hldg. NV	04/07	6.375	AA-	110.125	4.90	+0.14	-0.07	+0.73

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Emu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

GOVERNMENT BOND SPREADS vs ECU

Sep 11	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	-0.07	+0.12	+0.23	+0.05	-0.11	+0.03
Belgium	-0.12	+0.07	+0.17	+0.12	+0.13	-0.04
Finland	-0.18	+0.24	+0.23	+0.17	-0.36	-0.78
France	-0.17	-0.02	-0.06	-0.04	-0.01	-0.23
Germany	-0.23	-0.02	+0.03	-0.26	+0.05	-0.27
Ireland	+0.43	-0.03	+0.06	+0.17	+0.28	+0.50
Italy	+0.29	+0.33	+0.32	+0.28	+0.29	+0.18
Luxembourg	-0.12	+0.07	+0.17	+0.12	+0.13	-0.04
Netherlands	-0.15	+0.03	+0.06	-0.07	-0.02	-0.23
Portugal	-0.05	+0.28	+0.26	+0.24	+0.46	+0.27
Spain	-0.05	+0.20	+0.30	+0.31	+0.24	+0.19
"Outs"						
Denmark	+0.71	+0.85	+0.82	+0.42	+0.30	+0.48
Greece	+8.45	+5.94	+4.99	+4.15	+3.09	+2.67
Sweden	+0.58	+0.73	+0.67	+0.49	+0.44	+0.02
UK	+2.37	+1.66	+1.39	+0.80	+0.37	-0.27

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Sep 11	S & P rating	Red date	Coupon	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/08	5.000	DEM	-0.01	+0.08	+0.04
France Telecom	AA+	11/06	6.250	FRF	+0.12	+0.19	+0.16
Halifax	AA	07/07	5.625	DEM	+0.33	+0.26	+0.25
Ing Bank NV	AA-	01/08	5.500	NLG	+0.19	+0.28	+0.19
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.30	+0.18	+0.26
Cred Foncier	A	02/03	7.250	DEM	+0.79	+0.39	+0.30
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.41	+0.40	+0.42
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.35	+0.34	+0.33
Bank of China	BBB	07/99	7.125	DEM	+3.52	+5.10	+1.37
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+2.34	+1.01	+0.64
Korea Dev Bank	BB+	11/02	5.625	FRF	+10.86	+9.34	+6.25
Argentina	BB	04/08	8.125	XEU	+8.87	+7.28	+3.49

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

These transactions demonstrate how our expertise in international capital raising benefits our issuer and investor clients. The quality of our research and multi-currency execution capabilities position us at the forefront of the growing international market for high yield debt. Our continued leadership and innovation in the debt capital markets is what our clients have come to expect from Credit Suisse First Boston.

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd.	City line
Allied Domecq	‡¶	485	-7.6	Q24.73	1.7	4,859	11.5	1550
Bulmer (HP)		335xd	-.7	15.0	1.5	176.9	10.8	2005
Burn Stewart	‡	11	—	1.7	–	6.62	27.10	1818
Diageo	‡	550	-6.1	16.0	1.8	19,745	30.7	2781
Glenmorangie A		830	—	14.2	3.0	112.9	13.7	3257
B		925	—	7.1	3.0	37.0	13.7	3258
Highland	‡	232	0.7	9.8	2.4	310.0	5.5	2080
5¾pc Cv Sb Bd		94	—	Q5¾%	–	46.1	5.1	2823
Kirin Y		487¼	5.8	Q2¼%	–	5,232	23.12	1118
Matthew Clark	‡	134xd	-5.3	13.0	2.3	118.6	3.6	2153
Merrydown		33½	—	–	–	8.41	7.97	3352
Seagram C$		£18⅛	-2.0	Q66c	–	6,408	28.5	–

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd.	City line
ABN Amro Fl		£11⅞	-14.7	Q84%	2.2	15,619	7.5	1010
ANZ A$		302	0.7	Q48c	6	4,584	12.98	–
Abbey National	‡	1140xd	4.3	32.25	2.1	16,119	10.8	5411
Alliance & Leicester	‡‡	842xd	-.8	22.4	2.4	4,917	7.9	5600
Allied Irish I£	‡‡	749½	5.1	Q9L9%	2.4	6,498	2.3	1394
Anglo Irish I£	‡‡	143½	1.4	Q26%	2.4	370.3	18.5	1365
Asahi Y		181¼	-3.2	Q12%	–	4,458	28.3	3045
Banco Bilbao Viz Pts	‡	£8½	-15.8	Q16.3%	2.0	4,318	13.7	–
Banco Santander Pts	‡	99	-15.0	Q14%	1.9	10,328	6.4	–
Bank Ireland I£	‡	825	2.8	Q384½	3.0	4,730	24.11	1360
Bank Scotland	‡	585	-5.7	8.85	3.8	6,973	5.5	1742
9¼pc Inf Pf		173¼	2.2	9¼%	–	519.8	6.5	1462
[illegible]								

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

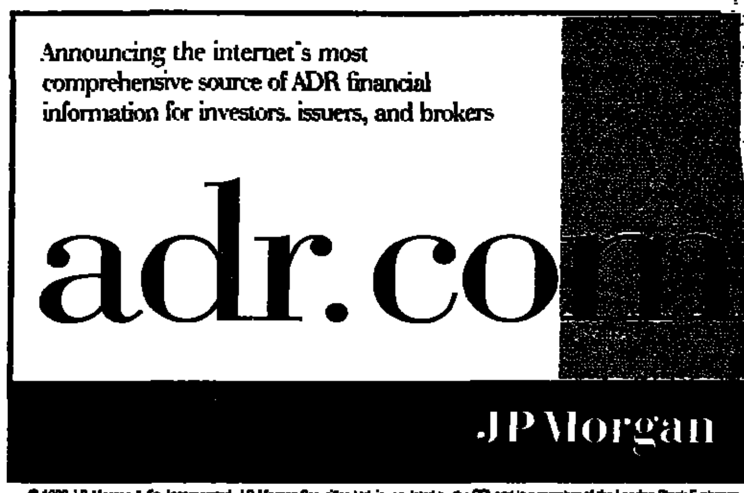
[illegible]

FOOD PRODUCERS - Contd

[illegible]

GAS DISTRIBUTION

[illegible]



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HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

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BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

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Bank Von Ernst & Cie AG

GT Global

Mercury Asset Management - Contd.

Morgan Stanley Sicav

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

UBS AG - Contd.

Hansard Europe Limited

For Banque Indosuez see Credit Agricole Indosuez

Barclays Diversified Portfolio (z)

HSBC Investment Funds Luxembourg SA (u)

Barclays Inv Funds (Luxembourg)

Henderson Management SA (u)

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

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[illegible]

BEA Associates

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Deltec Panamerica Trust Company Ltd

[illegible]

Global Asset Management

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Indosuez Emerging Markets Mgmt SA

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Magney Management Limited

[illegible]

Pacific Chartered Capital Mgmt Limited

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Pacific & General Investments Inc

[illegible]

Soditic Asset Management Inc

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

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The Glenmore Property Fund Ltd - Contd.

[illegible]

Jardine Fleming Unit Trusts Ltd - Contd.

[illegible]

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 11 / Sch)

BELGIUM/LUXEMBOURG (Sep 11 / Frs.)

CZECH REP (Sep 11 / Korune)

DENMARK (Sep 11 / Kr)

FINLAND (Sep 11 / Mka)

FRANCE (Sep 11 / Frs)

GERMANY (Sep 11 / Dm.)

GREECE (Sep 11 / Drachma)

ITALY (Sep 11 / Lira)

NETHERLANDS (Sep 11 / Fls.)

NORWAY (Sep 11 / Kroner)

POLAND (Sep 11 / Zloty)

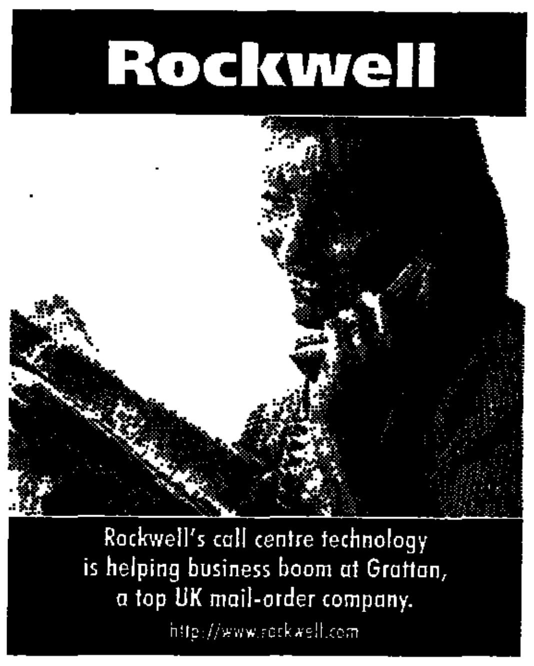
PORTUGAL (Sep 11 / Escudo)

SPAIN (Sep 11 / Pts.)

SWEDEN (Sep 11 / Kronor)

SWITZERLAND (Sep 11 / Frs.)

TURKEY (Sep 11 / Tk. Lira)



PACIFIC

JAPAN (Sep 11 / Yen)

AUSTRALIA (Sep 11 / Aust$)

HONG KONG (Sep 11 / H.K.$)

INDONESIA (Sep 11 / Rupiah)

MALAYSIA (Sep 11 / MYR)

NEW ZEALAND (Sep 11 / NZ $)

SINGAPORE (Sep 11 / S$)

SOUTH KOREA (Sep 11 / Won)

TAIWAN (Sep 11 / TW $)

THAILAND (Sep 11 / Baht)

AMERICAS

CANADA

TORONTO (Sep 11 / Can $)
4 pm close

MONTREAL (Sep 11 / Can $)
4 pm close

MEXICO (Sep 11 / Peso)
12:30 pm

AFRICA

SOUTH AFRICA (Sep 11 / Rand)

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 11 1998 US Dollar Index	% chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY SEPTEMBER 10 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	171.93	-14.1	151.39	142.42	150.86	189.95	-7.0	3.95	175.15	154.46	148.49	154.07	195.21	238.24	168.86	225.68
Austria (22)	189.96	0.5	167.26	157.35	166.68	168.58	-5.7	2.03	191.20	165.60	162.09	168.19	168.08	253.73	181.60	192.80
Belgium (22)	363.17	42.7	319.77	300.83	318.67	312.03	34.2	2.20	367.75	324.29	311.76	323.49	316.69	398.52	234.33	238.73
Brazil (26)	113.08	-52.6	99.56	93.67	99.22	245.31	-49.9	4.80	102.63	90.55	87.05	90.32	222.82	308.59	102.68	263.76
Canada (119)	184.46	-13.2	162.42	152.80	161.86	202.12	-8.2	1.99	181.39	159.96	153.78	159.56	198.63	248.78	167.18	214.88
Denmark (34)	471.09	5.3	414.80	390.23	413.37	412.85	-0.9	1.57	478.51	421.57	405.66	420.92	419.55	537.33	379.22	379.22
Finland (28)	420.93	51.1	370.63	348.68	369.35	454.01	42.6	2.02	414.83	365.87	351.73	364.96	448.45	506.46	267.59	395.58
France (79)	292.54	22.2	257.59	242.33	256.70	259.93	15.1	2.42	294.10	259.35	249.33	258.70	261.81	345.18	217.58	223.78
Germany (55)	262.34	14.3	230.99	217.31	230.19	230.19	7.3	1.38	262.62	231.59	222.64	231.02	231.02	325.81	204.89	219.38
Greece (37)	260.07	0.0	228.99	215.43	228.20	542.25	0.0	1.74	264.94	232.52	224.60	233.05	554.27	333.20	243.18	–
Hong Kong, China (66)	224.62	-37.1	197.78	186.06	197.10	223.49	-37.1	6.83	233.14	205.59	197.65	205.08	231.96	518.79	196.84	504.94
Indonesia (26)	24.81	-62.5	21.84	20.55	21.77	181.10	-18.7	3.61	24.65	21.74	20.90	21.68	182.21	159.32	23.58	159.32
Ireland (16)	416.13	3.6	366.40	344.70	365.14	395.66	-8.3	2.40	422.11	372.23	357.85	371.31	402.01	560.44	359.60	368.61
Italy (54)	142.54	21.2	125.51	118.08	125.08	177.57	14.3	1.65	145.97	128.72	123.75	128.40	182.16	184.49	100.95	100.95
Japan (498)	84.59	-11.2	74.48	70.07	74.23	70.07	-10.5	1.12	85.77	75.64	72.71	75.45	72.71	123.57	78.40	122.31
Malaysia (106)	104.10	-36.7	91.66	86.23	91.34	152.35	-38.2	4.09	108.11	95.33	91.65	95.10	158.22	348.41	73.52	343.35
Mexico (29)	804.42	-55.4	708.29	666.34	705.85	9278.91	-41.6	2.94	787.15	694.14	667.31	692.41	9096.82	1901.98	787.15	1673.45
Netherlands (27)	456.29	11.3	401.77	377.97	400.38	396.54	4.6	2.09	455.21	401.42	385.91	400.42	396.64	562.38	385.56	385.56
New Zealand (14)	49.65	-35.0	43.72	41.13	43.57	50.66	-27.5	6.05	50.17	44.24	42.53	44.13	51.71	95.87	49.47	87.86
Norway (37)	224.02	-29.9	197.25	185.56	196.57	229.43	-28.2	2.74	225.35	198.72	191.04	198.23	232.92	374.64	208.82	234.81
Philippines (22)	42.48	-46.5	37.41	35.19	37.28	92.73	-41.2	1.76	43.03	[illegible]	36.53	37.90	94.27	107.87	42.48	106.27
Portugal (18)	242.75	0.0	213.74	201.08	213.00	287.53	0.0	1.13	246.89	219.43	210.99	218.93	295.39	299.39	235.61	–
Singapore (41)	110.43	-51.0	97.23	91.47	96.90	87.45	-50.0	3.45	110.25	97.25	93.49	97.01	87.94	319.68	102.45	319.68
South Africa (39)	162.19	-38.9	142.81	134.35	142.32	222.09	-21.3	4.05	165.65	146.03	140.43	145.71	227.01	346.20	151.55	329.00
Spain (31)	307.77	13.2	270.99	254.94	270.05	334.58	6.6	2.25	315.23	278.07	267.33	277.38	343.40	417.73	236.28	251.00
Sweden (49)	477.01	1.6	420.01	395.13	418.56	553.88	8.4	2.12	477.51	421.25	405.96	420.30	560.63	628.19	439.98	488.24
Switzerland (26)	371.88	9.1	327.44	308.04	326.31	319.89	3.8	1.50	372.55	328.53	315.83	327.71	321.02	439.48	290.19	290.19
Thailand (36)	8.86	-54.1	7.80	7.34	7.77	14.06	-61.0	6.71	9.23	8.14	7.83	8.12	14.58	45.52	8.15	43.54
United Kingdom (210)	335.97	1.3	295.82	278.30	294.80	295.82	-7.1	3.32	336.95	297.14	285.66	296.45	297.14	401.84	303.41	303.41
USA (623)	410.58	3.6	361.51	340.10	360.27	410.58	3.6	1.59	399.06	351.90	338.33	351.03	399.06	485.88	358.31	371.80
Americas (797)	365.98	1.8	322.26	303.17	321.15	310.29	2.1	1.65	335.77	313.73	301.61	312.95	301.62	437.03	328.79	339.56
Europe (746)	317.89	10.0	279.90	263.32	278.93	287.82	5.0	2.33	319.51	281.76	270.97	281.06	289.95	386.24	266.89	266.89
Eurobloc (351)	91.93	0.0	80.95	76.15	80.67	87.32	0.0	1.95	92.53	81.64	78.48	81.43	88.12	113.28	90.92	–
Nordic (148)	438.22	6.3	385.86	363.00	384.52	436.53	3.5	2.04	438.75	386.59	371.85	385.94	440.08	555.97	389.51	416.80
Pacific Basin (863)	89.19	-15.8	78.53	73.88	78.26	75.21	-14.7	1.90	90.64	79.93	76.84	79.73	77.94	138.87	83.29	138.23
Euro-Pacific (1609)	184.43	1.2	162.39	152.77	161.83	155.22	-1.5	2.21	185.94	163.97	157.53	163.56	157.59	220.19	172.03	191.93
North America (742)	395.58	2.8	348.31	327.67	347.10	356.25	3.1	1.60	394.55	348.20	335.29	346.36	325.39	469.20	349.06	362.07
Europe Ex. UK (536)	297.96	14.7	262.35	246.81	261.45	275.14	3.6	1.84	293.83	259.37	254.15	261.71	277.57	366.32	236.86	241.02
Europe Ex. Eurobloc (395)	86.82	0.0	76.45	71.92	76.18	84.96	0.0	2.74	87.09	76.80	73.84	76.61	85.43	103.93	86.54	–
Europe Ex. UK Ex. Eurobloc (185)	89.41	0.0	78.73	74.07	78.46	85.60	0.0	1.58	89.73	79.13	76.07	78.95	86.26	109.21	87.93	–
Pacific Ex. Japan (383)	138.82	-30.7	122.23	114.99	121.81	145.97	-27.8	5.07	142.42	125.59	120.74	125.28	150.46	279.07	128.26	276.63
World Ex. Eurobloc (2094)	86.99	0.0	76.59	72.06	76.33	86.32	0.0	1.89	85.82	75.55	72.63	75.37	85.89	103.16	83.83	–
World Ex. US (1822)	183.83	-1.3	161.86	152.28	161.31	159.30	-3.3	2.23	185.05	163.16	156.86	162.76	161.38	221.91	175.30	196.07
World Ex. UK (2235)	249.45	1.1	219.64	206.63	218.88	225.59	0.3	1.75	248.12	218.80	210.70	216.56	223.38	298.02	234.24	247.41
World Ex. Japan (1965)	342.50	2.8	301.58	283.71	300.53	330.82	1.6	1.99	337.65	297.75	286.24	297.01	328.41	411.23	309.33	318.33
The World Index (2445)	256.82	1.2	226.13	212.74	225.35	232.01	0.2	1.90	253.92	223.90	215.25	223.34	230.10	306.56	241.30	252.25

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Emerging markets: IFC investable indices

Dollar terms

Sept 10 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	539.17	-12.1	-51.7
Brazil	206.81	-14.5	-57.1
Chile	345.08	-6.0	-46.3
Colombia[1]	324.20	-2.6	-60.7
Mexico	342.53	-10.5	-56.5
Peru[2]	140.79	-4.0	-36.4
Venezuela[3]	253.15	-4.9	-72.3
East Asia			
China[4]	27.70	+4.6	-49.9
India[7]	65.88	+0.5	-21.0
Indonesia[4]	12.08	+0.1	-84.1
Korea[5]	26.37	+1.9	+9.7
Malaysia	60.73	-3.3	-33.4
Pakistan[6]	102.49	+1.9	-58.7
Philippines	63.04	-5.7	-44.1
Sri Lanka[10]	61.18	+2.5	-47.4
Taiwan, China[4]	105.87	-1.7	-24.9
Thailand	34.03	+2.5	-27.6
Europe			
Czech Rep	45.26	-3.4	-17.3
Greece	477.30	+1.1	+47.3
Hungary[8]	210.64	-2.9	-33.1
Poland[9]	519.24	-2.1	-13.0
Portugal	277.71	-1.8	+31.6
Russia	21.93	+10.3	-85.3
Slovakia	56.40	-1.1	-43.1
Turkey[4]	152.99	-3.7	-51.0
Mideast/Africa			
Egypt	69.22	-0.6	-25.8
Israel	107.83	-3.1	-11.4
Jordan	229.88	+0.1	+9.3
Morocco	181.63	+1.0	+39.4
S. Africa[13]	106.44	-3.1	-40.8
Zimbabwe[5]	126.32	-2.6	-49.8
Regions			
Composite	148.64	-4.3	-39.6
Latin America	308.22	-10.5	-54.5
Asia	76.37	-1.0	-29.1
EMEA	103.29	-1.7	-30.1
Europe	133.28	-0.9	-29.3
Eastn Europe	51.42	+0.4	-63.4
ME & Africa	49.49	-2.5	-30.8

Base date Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1993; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993
Latest indices were unavailable for this edition.

4 pm close September 11

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Price	Chng Prev. Close
3⅞	1⅝	ECC Int				13	1¾	1¾	1¾	-1/16
33¾	18⅞	EG&G ♣	0.56	2.4	10	732	23¾	22⅝	23¼	+¼
35⅛	20⅝	Eastgrns	0.16	0.6	28	1574	29¾	29¼	29½	+⅜
27¾	23	East Utils	1.86	6.7	13	861	25¼	24	24⅝	-⅞
45⅝	37⅝	E Enterpr x	1.64	4.0	15	912	41	39	40¾	+1¼
72½	48¼	EastCh x	1.76	3.4	13	1052	51½	d49	51⅛	+1
88½	57½	Ekodak x	1.76	2.3		11899	79¼	77¼	78	-1
99⅝	57½	Eaton	1.76	2.9	9	3182	60⅞	59⅞	60¾	+⅞
33	26⅝	Ecolab ♣ x	0.38	1.3	25	1722	28½	27⅞	28½	+¼
31	25	Edison Int	1.04	3.8	14	5364	28⅝	25⅞	25½	-⅛
48½	27⅝	EdwdAG x	0.58	1.9	9	3439	30¼	28⅞	30¼	+1¼
8⅝	6	Ekco Group			17	161	6	d5⅞	6	-⅛
76¾	48¼	Elan ADR				6679	60¼	57⅞	60	+1⅞
28¾	19½	Elcor Corp	0.24	1.2	14	1208	20¼	d19⅞	19⅞	-⅜

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Price	Chng Prev. Close
116½	66¾	Xerox x	1.44	1.7	71	30334	89¾	82¾	84½	-1¼
66⅛	45½	Xtra Corp			15	62	56⅞	56⅛	56⅛	-⅜
26½	22½	Yankee Egy x	1.38	5.7	19	249	24¼	23¼	24	+⅝
52¾	33	York Int	0.48	1.5	27	1948	33¾	d32½	32⅝	-⅞
24½	6⅞	Zapata	0.28	2.7	3	980	10½	10⅛	10⅛	-⅛
30½	23⅞	Zenith Nat	1.00	4.0	15	98	24¾	24½	24⅝	+⅛
8⅝	5⅞	Zenix Inc	0.78	10.7		149	6½	6⅜	6½	
14⅝	8⅞	ZweigFd♣	1.24	12.0		384	10⅞	10⅜	10⅜	+⅛
9½	8⅛	Zweig Tot y	0.84	9.9		395	8½	8⅜	8½	+⅛

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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EUROBENCH® "INSECTS®" INDICES

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Sector		SETT 11-09-1998	Close 11-09-1998	Previous 10-09-1998	Change on day	% Change	1998 HIGH	1998 LOW
Financials	USD	1700.83	1738.68	1815.01	-76.33	-4.20	2451.60	1364.49
BI-FIN	DEM	2076.06	2053.95	2146.29	-92.34	-4.30	3060.15	1641.19
Non-durable goods	USD	1642.71	1637.09	1667.64	-30.55	-1.83	1760.72	1163.49
BI-GOODS	DEM	1937.01	1933.94	1972.01	-38.07	-1.93	2195.63	1399.45
Oils	USD	1242.36	1248.17	1216.08	+32.09	+2.63	1633.55	1132.90
BI-OIL	DEM	1484.94	1474.50	1438.04	+36.46	+2.53	2027.16	1398.72
Pharma-chemicals	USD	1408.45	1403.64	1398.46	+5.18	+0.37	1680.68	1227.09
BI-PHARMA	DEM	1661.37	1658.16	1653.70	+4.46	+0.27	2115.51	1475.94
Telecoms	USD	2090.53	2090.50	2127.36	-36.86	-1.73	2437.22	2046.51
BI-TELCO	DEM	2474.59	2469.57	2515.64	-46.07	-1.83	3072.26	2512.95

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هكذا من الاجل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 11	Sep 10	Sep 9	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	7795.50	7615.54	7865.02	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.85	105.44	105.44	105.85 (11/9)	104.42 (11/5)	105.85 (11/9/98)	54.99 (1/10/81)
Transport	2679.17	2631.51	2691.20	3686.02 (16/4)	2618.75 (4/9)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	281.68	278.35	278.29	285.40 (6/7)	262.66 (9/1)	285.40 (6/7/98)	16.53 (8/7/32)

DJ Ind. Day's high (n) (7761.60) Low (n) (7489.04) (Theoretical♠)
Day's high 7817.39 (7858.07) Low 7518.99 (7518.58) (Actual♠)

Standard and Poors	Sep 11	Sep 10	Sep 9	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1009.06	980.19†	1006.20	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials¥	1206.72	1175.58	1203.88	1380.48 (17/7)	1077.40 (9/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial¥	107.31	102.26	106.92	147.89 (14/7)	102.26 (10/9)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	500.03	487.77	500.57	600.75 (17/7)	480.60 (31/8)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	813.21	806.23	813.44	753.67 (22/4)	565.07 (31/8)	753.67 (22/4/98)	524.20 (16/7/95)
NASDAQ Cmp	1641.84	1585.33†	1624.55†	2014.25 (20/7)	1499.22 (31/8)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	353.62	344.97	352.69†	491.41 (21/4)	337.95 (31/8)	491.41 (21/4/98)	123.36 (7/12/83)

■ RATIOS

	Sep 4	Aug 28	Aug 21	Year ago
Dow Jones Ind. Div. Yield	1.95	1.84	1.44	1.67
	Sep 9	Sep 2	Aug 26	Year ago
S & P Ind. Div. yield	1.43	1.47	1.33	1.54
S & P Ind. P/E ratio	29.54	28.84	30.83	24.80

US DATA

■ MARKET ACTIVITY

● Volume (million)	Sep 11	Sep 10	Sep 9
NYSE	822.251	882.127	704.370
Amex	39.631	38.078	26.237
NASDAQ	708.087	766.421	699.243

NYSE	Sep 11	Sep 10	Sep 8
Issues Traded	3,497	3,513	3,503
Rises	2,088	775	808
Falls	979	2,346	2,144
Unchanged	349	799	451
New Highs	24	27	21
New Lows	392	928	201

■ NYSE TRADING ACTIVITY — Volume : 822,251,820

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Tmdr	14,455,900	40⅞	+1⅛
Telebras	10,128,400	55⅞	+4¼
Citicp	8,524,900	98⅜	+8⅜
ChaseM	9,001,600	45⅜	+3¼
MerLyn	8,052,100	55⅜	+⅛
Compaq	7,967,900	31⅛	+1⅜
Lehman	7,298,300	35⅜	−2⅜
GenElec	7,187,300	79⅝	+2⅜
NatnBk	6,549,400	54⅛	+4⅛
Schlmb	6,335,200	51⅛	+2

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Blount A	23⅜	+2⅞	+14.2
Teradyne	20⅝	+2⅜	+13.7
AmExpr	78½	+9	+12.9
EngyVntrs	23⅜	+2⅞	+12.9
MBIA	53⅜	+5⅞	+12.4
Downs			
DoleFd	34⅞	−5⅜	−13.8
ChiqBrnds	10⅛	−1⅛	−9.2
UnitedAsM	18	−1⅛	−8.9

■ NASDAQ TRADING ACTIVITY — Volume : 708,087,018

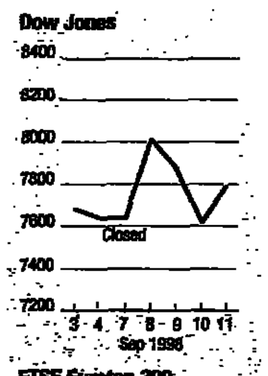
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Intel	35,689,700	85	+5⅜
DellCmp	33,017,800	57¼	+2⅜
Oracle	23,808,300	25½	+3⅛
Micsft	13,739,400	104⅛	+3⅛
CiscoSys	13,361,000	92⅛	+4⅜
WrldCm	8,882,000	47¼	+1⅛
AscendCom	7,328,500	48	+3⅜
Ciena Cp	7,093,700	15⅜	−⅛
3Com	6,762,200	28¼	+1
ChancMed	6,554,500	24⅛	−1⅛

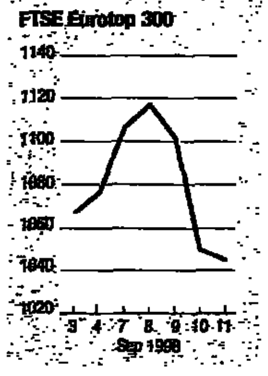
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Synalloy	11	+2	+22.2
Skytel Com	18	+2⅞	+19.5
Millicm	28⅛	+4⅝	+19.2
Kulick	14	+2⅛	+18.5
PacSunwrCal	22½	+3⅜	+17.6
Downs			
Mgnetcs	10⅛	−1⅜	−12.7
MTG ADR	64⅛	−7⅛	−10.0
JDA Sftw	10⅛	−1⅛	−9.9

Dow Jones



FTSE Eurotop 300



JAPAN

	Sep 11	Sep 10	Sep 9	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	13916.98	14668.03	14755.54	17264.34	13915.63	38915.87	85.25

Day's high: 14551.25. Day's low: 13725.82.

■ TOKYO TRADING ACTIVITY — Volume : 125,000,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Np Steel Cp	28,598,000	205	−15
Fuji Bank	19,723,000	338	+3
Sakura Bank	18,821,000	236	−18
Toshiba Cp	17,059,000	437	−33
NKK Cp	16,755,000	88	−4
Hitachi	13,845,000	600	−19
Bk Tk-Mtbshi	12,802,000	1020	−47
Kawasaki Stl	11,869,000	171	−9
Nissho Iwai	11,256,000	160	−30
Nomura Sec	10,969,000	1205	−70

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Ishii Iron Wk	254	+34	+15.5
Kimmon Mfg	195	+23	+13.4
Yoshara Oil	235	+24	+11.4
Downs			
Shinkan	80	−25	−23.8
Daiowa Pap	452	−99	−18
Nissho Iwai	160	−30	−15.6
Hokuetsu Pap	550	−100	−15.4
Oita Bank	570	−100	−14.9

FRANCE

	Sep 11	Sep 10	Sep 9	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3578.34	3589.35	3762.13	4388.48	2882.54	4388.48	984.61

Day's high: 3621.86. Day's low: 3505.62.

■ PARIS TRADING ACTIVITY — Volume : 864,415,585

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
BNP	2,380,502	325	−12.8
FrTele	2,128,886	438	+14
SocGen	1,969,952	777	−64
Paribas	1,851,098	395.2	−24.8
Axa	1,811,123	554	−27
Usinor	1,349,050	55.6	−2.25
Alcatel	1,315,328	993	+93
RhonPA	1,186,878	260.9	−10.6
EliAqu	1,157,524	850	+30
CCF	851,827	371	−14.9

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
DassSy	222	+19	+9.4
Equant	280.5	+19.5	+7.5
Synthl	1025	+60	+6.2
TotalB	628	+35	+5.9
Downs			
Rhodia	92	−10	−9.8
Prost'd	3390	−331	−8.9
SocGen	777	−64	−7.6
Finexta	515	−35	−6.4

GERMANY

	Sep 11	Sep 10	Sep 9	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4737.15	4747.33	5040.87	6171.43	4067.28	6171.43	931.18

Day's high: 4777.79. Day's low: 4606.04.

■ FRANKFURT TRADING ACTIVITY — Volume : 11,459,551

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Cmrzbk	1,819,959	51.6	+1.55
Lufthn	1,742,612	36.3	−0.35
Dt Bk	1,290,458	100	−3.5
Bayer	1,078,086	64	
Dalmlr	686,209	154.5	
DrsdBk	651,534	68.8	−1.4
Dt Tel	637,782	52.9	+1.9
BASF	613,040	64.2	+1
Siemens	520,130	110.5	−5.2
Veba	506,158	94.3	+2.4

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
BMBg	40.5	+2	+5.2
Hlzmnn	283	+13	+4.8
Dt Tel	52.9	+1.9	+3.7
MAN Pf	368	+12	+3.4
Downs			
SchLab	250	−15	−5.7
Contstl	44.8	−2.4	−5.1
WellaPf	1500	−80	−5.1
HerBank	67.5	−3.5	−4.9

UK

	Sep 11	Sep 10	Sep 9	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5118.6	5136.5	5311.3	6179.00	5068.80	6179	986.9

Day's high: 5137.7. Day's low: 4988.8

■ LONDON TRADING ACTIVITY — Volume : 930,400,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
BTR	35,690,910	122	+14½
Shell T&T	23,973,610	358	+18
Lloyds TSB	16,868,130	652	−33
BP	16,772,870	793	+12
Centrica	16,240,040	108	
Tesco	16,008,690	169	+1
Unilever	15,086,940	539	−11
Alld Zurich	12,524,600	855	+8½
BT	12,357,710	786	+6
BG	11,181,580	353	+9½

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Amber Indl	128	+45½	+55.2
Gardiner Grp	21	+7	+50
Elan	293½	+81	+38.1
Newcastle Utd	89	+18½	+26.2
Downs			
BrtReg.Air	52½	−56	−51.6
Servisair	117	−47	−28.7
Avica Pal	4½	−1½	−25
Utility Cable	2¼	−¾	−25

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	972.00	1013.20	+43.80	1014.90	967.10	121,030	234,714
Dec	985.00	1023.00	+44.00	1024.00	966.90	217,924	221,029
■ Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	14360.0	13720.0	−760.0	14360.0	13570.0	51,865	155,605
Mar	14200.0	13800.0	−1000.0	14200.0	13800.0	1,013	6,058

Open interest figures for previous day.

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	3541.0	3592.0	−6.5	3626.0	3500.5	104,820	198,047
Dec	3549.5	3619.5	−8.5	3620.0	3540.0	2,553	23,668
■ DAX							
Sep	4640.0	4757.5	+13.5	4793.0	4598.0	41,429	82,676
Dec	4670.0	4788.0	+8.5	4825.5	4633.0	4,913	16,954

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	631.00	628.00	−5.50	643.00	613.50	62,929	150,761
Oct	633.00	630.25	−8.75	639.25	617.00	1,295	4,241
■ SOFFEX							
Sep	6319.0	6485.0	−5.0	6545.0	6280.0	11,930	29,523
Dec6360.06492.0−50.86520.06360.05722.903							

WORLD MARKETS AT A GLANCE

Country	Index	Sep 11	Sep 10	Sep 9	1998 High	1998 Low	☆ Yield	☆ P/E
Argentina	General	12914.60	12503.14	13718.35	23486.47 23/3	12503.14 10/9	4.6	11.4
Stocks surged after Thursday's heavy falls, encouraged by strong rallies in Brazil and the US.								
Australia	All Ordinaries	2468.3	2528.3	2542.5	2981.40 16/4	2458.20 1/9	3.5	18.3
	All Mining	580.3	555.9	568.3	713.10 23/4	499.80 31/8		
Industrials and banks underperformed while golds jumped 6.5 per cent and bond yields slid to lowest levels in 30 years.								
Austria	Credit Aktien	(u)	392.19	408.38	584.34 25/5	388.17 3/9	1.9	12.5
	ATX Index	1152.29	1168.11	1206.69	1828.56 26/5	1124.76 3/9		
Ended lower but above the worst of the day. Erste Bank down 7 per cent.								
Belgium	BEL20	3171.34	3204.93	3305.73	3632.07 20/7	2357.78 10/1	1.7	20.7
Ended lower after a volatile session. KBC and Fortis both fell more than 4 per cent.								
Brazil	Bovespa	5398.0	4761.0†	6855.0	12288.00 15/4	4761.00 10/9	na	na
Stocks soared as investors digested impact of Thursday's interest rate rise and also rumours of foreign monetary aid.								
Canada	TSE 100♦	362.23	355.86	360.35†	475.63 25/5	338.52 31/8	1.9	19.4
	Metals Mnls♦	2860.70	2813.20	2839.13	4380.01 10/3	2508.10 31/8		
	Composite♦	5889.40	5798.77†	5871.78†	7822.30 22/4	5530.70 31/8		
	Portfolio§§	3074.53	2994.04	3010.71†	3985.61 25/5	2804.59 31/8		
In volatile trade, the market was boosted by banking, gold and consumer products stocks.								
Chile	IGPA Gen¥	(u)	3004.39	3120.64	4981.95 17/3	3004.39 10/9	4.2	9.6
China	Shanghai B	29.77	30.64	30.01	59.58 10/2	28.25 12/8	1.5	30.8
	Shenzhen B	62.80	63.39	61.06	98.97 10/2	49.88 13/8		
Hard-currency shares succumbed to increased foreign selling, ignoring firmer renminbi-denominated shares.								
Colombia	IBB	797.64	795.18	800.47	1431.46 7/1	795.18 10/9	na	na
Stocks ended mixed in thin trade. Banco de Bogotá closed up 4 per cent after heavy selling over past two weeks.								
Czech Republic	PX 50	375.9	379.2	385.9	517.30 23/3	370.70 3/9	na	na
Ended lower in robust volumes.								
Denmark	CopenhagenSE	631.44	639.85	656.02	778.84 7/4	631.44 11/9	1.6	17.7
Ended down but above the day's lows. Carlsberg bucked broad trend, boosted by upbeat Heineken results.								
Egypt	Cairo SE Gen	(c)	362.67	363.01	393.19 21/4	345.40 2/2	na	na
In Sunday trading, the Hermes index fell 36.87 to 8,467.1, with the day's business affected by a sizable disposal.								
Finland	HEX General	4337.83	4302.90	4548.88	5603.43 21/7	3220.43 12/1	2.3	14.7
Gained on the back of market heavyweight Nokia, which rose almost 2 per cent on takeover rumours.								
France	SBF 250	2290.95	2301.55	2400.39	2788.73 17/7	1873.19 12/1	2.5	17.7
	CAC 40	3578.34	3589.35	3762.13	4388.48 17/7	2882.54 12/1		
Ended little changed. Oils rallied but banks continued to suffer.								
Germany	FAZ Aktien	1489.83	1537.28	1591.22	1940.89 20/7	1334.15 12/1	1.4	21.2
	Commerzbank	4440.60	4575.4	4737.50	5712.60 20/7	3828.20 12/1		
	DAX‡	4737.15	4747.33	5040.87	6171.43 20/7	4067.28 12/1		
Ended higher thanks mostly to 6.3 per cent surge by market heavyweight Deutsche Telekom.								
Greece	Athens SE	2157.21	2210.38	2214.23	2825.82 21/7	1380.13 29/1	1.9	17.3
	FTSE/ASE 20	1311.22	1342.90	1348.03	1727.33 21/7	785.18 29/1		
Moved lower in nominal trading volumes.								
Hong Kong	Hang Seng	7578.48	7849.98	7905.45	11810.83 25/3	6660.42 13/8	5.4	9
	HSCC Red Chip	724.05	756.71	727.00	1775.08 27/2	576.07 1/9		
Down with global markets as volume rose to HK$5.38bn. Properties and utilities underperformed, but China plays fell most.								
Hungary	Bux	4278.62	4620.87	5067.55	9016.36 23/4	4278.62 11/9	na	na
Fell steeply with six shares suspended after going limit down.								
India	BSE Sens.	3083.56	3108.67	3097.12	4280.96 21/4	2862.55 1/9		
	Ntnl 500	604.91	611.40	611.75	815.82 21/4	573.02 18/8	na	na
Reversed seven-day rally as investors took profits before the weekend.								
Indonesia	Jakarta Comp.	324.04	327.27	325.76	554.10 2/2	324.04 11/9	3	12.5
Semen Gresik up 4 per cent after government said it hoped to sell 14 per cent at above $1.40 or nearly twice the market.								
Ireland	ISEQ Overall	4003.16	4086.69	4215.94	5471.81 21/4	3924.39 7/9	2.2	16.2
Israel	Tel Aviv 100	(c)	287.77	294.06	337.43 9/6	263.12 11/2	na	na
On Sunday, the Tel Aviv 100 index rose 4.39 to 292.16, boosted by Friday's strong rise on Wall Street.								
Italy	BCI Comit 30	285.77	283.38	313.08†	398.60 20/7	254.84 2/1	2	22.8
	Banca Com Ital	1203.09	1256.9	1328.84	1654.38 7/4	1072.35 2/1		
	Mibtel General	19206.0	19719.0	20820.0	26377.00 6/4	17206.00 2/1		
Closed above early lows. Banks remained weak.								
Japan	Nikkei 225	13916.98	14668.03	14755.54	17264.34 2/3	13915.63 28/8	1	38.3
	Nikkei 300	209.66	217.49	218.84	257.43 10/2	209.66 11/9		
	Topix	1071.48	1109.91	1116.01	1300.30 10/2	1071.48 11/9		
	2nd Section	1166.32	1181.40	1184.94	1401.27 12/2	1166.32 11/9		
Biggest Nikkei points fall for the year in thickest turnover since March 1996. Bond yields made new lows.								
Jordan	Amman SE	(c)	(c)	177.73	184.52 17/8	164.54 30/1	na	na
Malaysia	KLSE Comp.	368.53	380.20	389.65	745.38 27/2	262.70 1/9	4.1	10.2
Down after government said it was considering imposing a capital gains tax to limit speculative trading of shares.								
Mexico	IPC	2917.78	2856.10	3167.26	5204.69 2/1	2856.10 10/9	2	9
Stocks ended on high note, posting sharp gains on bargain-hunting and buoyed by rebounds in Brazil and on Wall Street.								
Morocco	CFSA	882.94	884.15	870.71	963.98 1/9	686.57 21/1	na	na
Netherlands	CBS TtlRtnGen	1174.5	1176.3	1238.6	1493.00 20/7	1045.20 12/1	2.2	20.7
	CBS All Shr	662.3	663.3	698.4	845.10 20/7	599.20 12/1		
Edged lower as financials stayed weak. Heineken jumped 11.1 per cent.								
New Zealand	Cap. 40	1727.57	1769.76	1793.15	2358.02 20/3	1727.57 11/9	5.6	15.6
Brierley lost a further 9.6 per cent in busy turnover while Fletcher Building fell 7.3 per cent.								
Nigeria	SE All-Share	5729.59	5730.72	5744.18	6504.87 11/2	2238.40 12/1	na	na
Norway	Oslo SE Ind	1656.16	1686.96	1726.05	2370.86 4/5	1640.70 3/9	2.1	12.4
Ended lower but broadly underpinned by firmer international oil prices.								
Pakistan	Karachi SE	1070.32	1044.81	1034.68	1746.31 2/1	765.73 14/7	na	na
Hub Power up 7.4 per cent as hopes spread that tussle between IPPs and government over tariffs was close to resolution.								
Peru	Lima Gen	1246.43	1266.89	1327.79	1903.91 4/5	1239.88 1/9	na	na
Philippines	Manila Comp	1082.18	1100.17	1157.43	2311.42 25/3	1082.18 11/9	2.2	8.8
Ayala Land slid 9.3 per cent, Bank of Philippine Islands lost 10.4 per cent and parent Ayala Corp fell 8.6 per cent.								
Poland	WIG	12026.7	12585.8	12857.5	18582.70 11/3	10863.70 1/9	3.2	4.1
Edged higher with gainers beating fallers 36 to 12.								
Portugal	BVL 30	4587.11	4713.95	4892.82	6176.89 22/4	3839.27 2/1	2	26.8
	PSI 20	10403.99	10697.98	11124.18	14289.99 22/4	9031.84 2/1		
Russia	RTS	62.31	64.60	61.83	411.81 5/1	61.43 3/9	na	na
Ended lower with activity again at a minimum.								
Singapore	SES All-S'pore	267.52	266.71	275.25	437.98 19/3	253.20 4/9	3.2	12.9
	Straits Times	853.19	865.00	885.46	1699.75 19/3	805.04 4/9		
Property shares rose 1.4 per cent in a volatile session after United Overseas Bank cut its prime rate by 25 basis points.								
Slovakia	SAX	(u)	107.94	108.85	182.48 5/1	107.83 1/7	na	na
South Africa	JSE All Share	4694.4	4852.7	4975.3	8358.70 20/4	4694.40 11/9		
	JSE Gold	1096.0	1015.2	952.1	1182.20 6/7	672.60 18/3		
	JSE Indl.	5246.9	5502.5	5758.8	9942.70 20/4	5246.90 11/9	5.4	7.9
Ended lower. Financials tumbled 6.1 per cent but golds advanced 6.9 per cent.								
South Korea	KoreaCmpEx**	320.81	338.85	329.22	574.35 2/3	280.00 16/6	1.5	15.4
Cautious trading following Friday's sharp decline saw the composite stock price index end 0.28 down at 320.33.								
Spain	Madrid SE	694.54	710.35	757.98	947.92 17/7	646.14 12/1	2.1	21.3
Fell further as banks continued to retreat. Santander and BBV both off 6 per cent.								
Sri Lanka	CSE All Share	488.90	482.2	476.20	789.70 4/5	461.00 3/9	na	na
Helped higher by foreign demand for blue chips, while retailers were largely absent because of delay in opening.								
Sweden	AffarsvardnGen	3051.4	3089.4	3179.1	3955.60 20/7	2853.10 12/1	2.3	19
Banks led the way down with falls of about 1.5 per cent.								
Switzerland	SMI Index	6480.7	6502.3	6802.4	8412.90 21/7	6062.10 12/1	1.3	22
	SPI General	4093.85	4105.77	4278.89	5237.38 20/7	3761.38 12/1	na	na
Ended lower in spite of late rally for CS Group, which added 3 per cent following a broker upgrade.								
Taiwan	WeightedPr.**	6841.83	6803.83	6884.57	9277.09 2/3	6251.38 3/9	1.6	18.7
Early falls reversed with shares finishing higher. Financials rose 1.2 per cent while electronics lost 1.8 per cent.								
Thailand	Bangkok SET	212.70	218.91	213.98	558.82 3/2	207.31 4/9	5.5	33.1
Bank of Asia soared 25 per cent after announcing a B7.5bn capital injection from ABN Amro.								
Turkey	IMKB Nat 100	2328.68	2487.97	2600.04	4590.69 18/7	2328.68 11/9	4.3	10.3
Finished at 12-month low. Isbank fell 3.9 per cent.								
Venezuela	IBC	2709.29	2694.70	2821.04	7658.92 23/3	2694.70 10/9	na	na
Stocks mixed in thin trade after Brazil's surge failed to lift gloom of Caracas's 70 per cent decline this year.								
Zimbabwe	ZSE Industrial	(u)	(u)	(u)	8765.71 31/3	5441.85 1/9	na	na
WORLD	FT/S&P World($)	258.82	253.90	259.51	305.82 17/7	243.98 9/1	na	na
	MS Capital Int$	955.9*	958.2	979.0	1143.80 20/7	888.50 12/1	na	na
CROSS-BORDER	DJ Stoxx 50	2900.28	2914.00	3061.69	3670.82 20/7	2574.51 12/1		
	DJ Euro Stx 50	2880.98	2903.71	3051.49	3658.48 17/7	2466.81 12/1		
	FTSE E300	1044.89	1051.30	1100.92	1327.88 20/7	871.93 12/1		
	FTSE E100	2405.96	2422.83	2541.68	3066.91 20/7	2226.40 12/1	na	na
	HSBC Drgn	(u)	166.83	169.25	273.91 26/3	182.76 7/8	na	na
	ING Bngs Emrg	86.64	91.93	93.96	160.08 22/4	86.64 11/9	na	na

** Sat Sep 5. Taiwan Weighted Price 6755.71; Korea Comp Ex 315.83. Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Sep 11 4754.65 +10.60. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation. ☆ Yields and P/E ratios are based on Datastream Total Market Indices. ♣ Midsession.

THE NASDAQ STOCK MARKET

4 pm close September 11

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

THE NASDAQ STOCK MARKET

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close September 11

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

Company	Mid price	Change	Volume	High	Low
[illegible]					

FT GUIDE TO THE WEEK

MONDAY 14

Russia debated

The Russian crisis will be the subject of an emergency debate when the European Parliament returns from its summer recess. The other main focus of the five-day session will be environmental policy, with legislation on water management plans, car emission controls and curbs on dangerous fuel additives, including the phasing out of leaded petrol in 2000. The European Commission's strategy on global warming will also be outlined in the run-up to the United Nations climate change review conference in Buenos Aires in November. Russia will be debated on Wednesday, when the European Union's Austrian presidency and the European Commission will make statements.

Biological battle

Negotiations on strengthening a 1972 United Nations' treaty banning biological weapons resume in Geneva (to October 9). The three-year-old talks aim to give the pact teeth by adding measures to check compliance and deter cheating – but they have made slow progress, dashing western hopes of a verification protocol by the end of 1998. Many countries are worried about inspections of military sites and commercial bio-technology facilities, some 3,000 of which could be covered by the new protocol.

Assembly meets

The first substantive meeting of the Northern Ireland Assembly is scheduled to take place in Belfast, chaired by David Trimble, the first minister.

EU-US relations

The Centre for European Policy Studies meets in Brussels to discuss relations between the US and the European Union, with Sir Leon Brittan, the European trade commissioner as speaker.

Union gathering

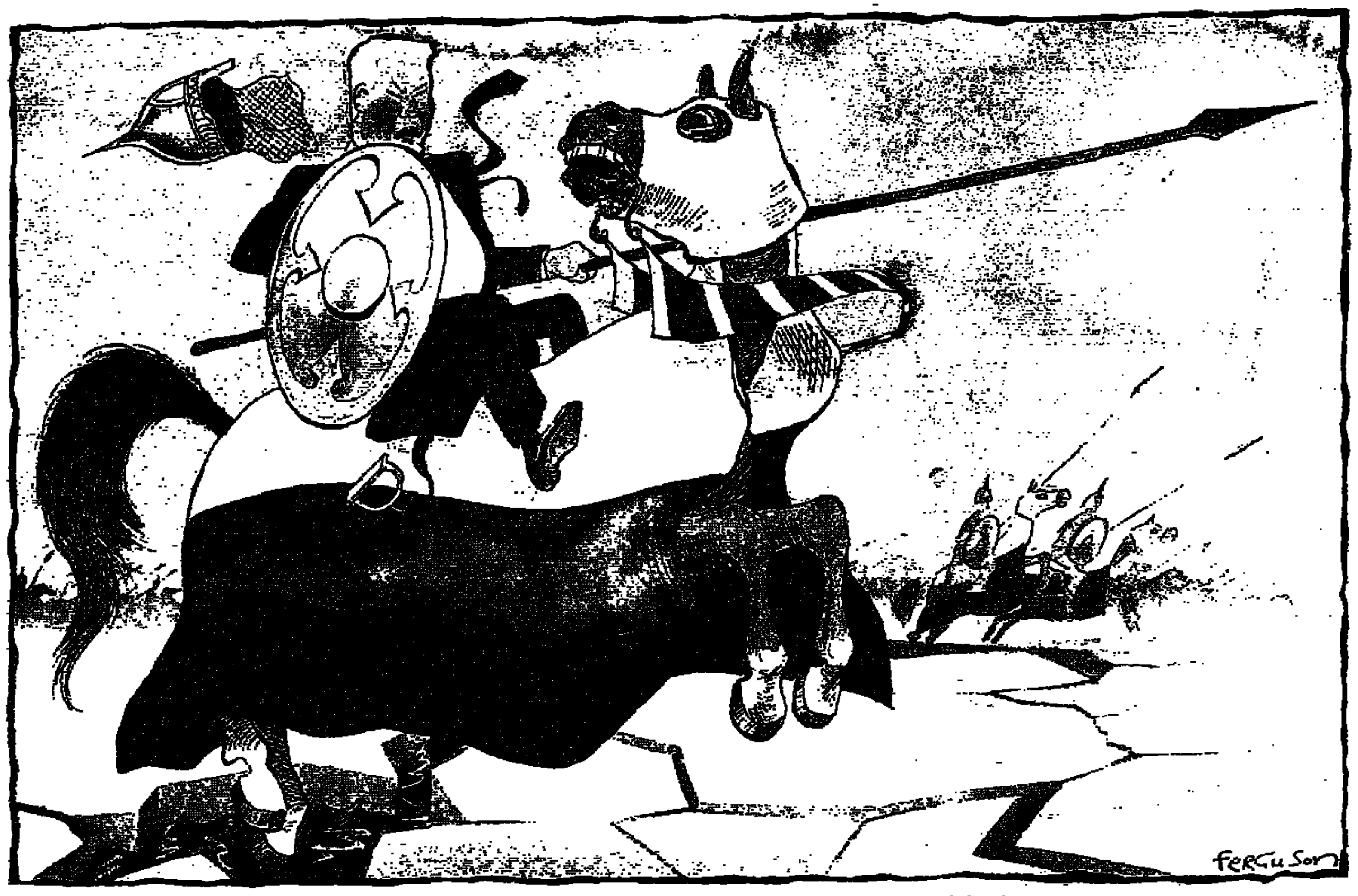
Britain's Trades Union Congress holds its annual conference in the northern coastal resort of Blackpool (to September 17), with an address on the first day by John Prescott, the deputy prime minister.

Irish visitor

Bertie Ahern, the Irish prime minister, is scheduled to visit China. He is expected to discuss with Zhu Rongji, his Chinese counterpart, the Northern Ireland peace process, the catastrophic flooding in China and trade and diplomatic relations (to September 18).

Taliban check

Ismail Cem, the Turkish foreign minister, visits Teheran for meetings with Kamal Kharrazi, the Iranian foreign minister, and to discuss recent military advances made by the ruling Taliban militia in Afganistan (to September 15).



Russia's continuing economic and political paralysis will be the subject of an emergency debate in the European Parliament on Wednesday

FT Survey

Asian Infrastructure.

Holiday

Switzerland (markets open).

TUESDAY 15

Dutch budget

The Dutch government produces its annual budget. Queen Beatrix will outline policies of the centre-left coalition which was returned to power after a general election in May. At the same time, individual ministries detail 1999 spending plans. These come at a time when economists are starting to question how long the Netherlands' much-praised economic record of robust growth and falling unemployment can be sustained.

Belgian probe

The Belgian parliament discusses expenses and the abuse of privileges in the light of a damning auditors report.

Masterstroke

Cuban swimmer Alberto Morejon Ramos will attempt to swim between the Bahamas and Cayo Coco, Cuba.

Engagement

The Wireless Economy, claimed to be the world's largest conference event for the mobile and wireless sector, begins at Earls Court, London (to September 17).

Holiday

Slovakia.

WEDNESDAY 16

Ozone layer day

This year's international day for the preservation of the ozone layer puts the emphasis on the role of Russia and developing countries in phasing out ozone-gobbling chemicals, mainly CFCs that are used in refrigeration and air-conditioning systems. The ban in industrialised countries has already cut CFCs in the atmosphere, and the ozone layer that protects the earth from damaging solar radiation could soon start to recover. But the United Nations warns that recovery depends on a total phase-out by developing nations due to start next year.

Book price row

The European Commission starts hearings into price fixing in the book trade in Germany and Austria. Austrian culture minister Peter Wittman insists that cultural matters cannot be regulated by competition law, while Karel van Miert, the competition commissioner, points to the US and UK experience as proof that abolishing price controls is not a threat to specialist publishers and retailers.

FBI advice

US Federal Bureau of Investigation director Louis Freeh pays an official visit to Sweden to discuss the fight against organised crime with justice minister Laila Freivalds and state secretary Par Nuder at the prime minister's office.

Holiday

Mexico.

THURSDAY 17

Unctad lessons

The United Nations Conference on Trade and Development (Unctad) publishes its latest Trade and Development Report, focusing on the lessons of the Asian financial crisis. The Geneva-based agency has persistently warned of the dangers of international financial instability from footloose capital flows. Unctad also looks at the trade implications of the crisis, especially for the developing world, and examines policies to boost investment and growth in Africa.

Havana seminar

The Centre for Caribbean Studies in Havana holds a seminar on Afro-American culture (to September 28).

FRIDAY 18

Kohl enters web

German Chancellor Helmut Kohl makes his Internet debut on the home page of his Christian Democrat party (CDU). Between 1000 and 1200 GMT, net surfers will be able to put live questions on any topic to the German leader ahead of the general election on September 27. CDU website: http://www.cdu.de

Russian summit

Russian president Boris Yeltsin goes to Kharkov, Ukraine for a summit meeting with Ukrainian president Leonid Kuchma on a wide range of issues; key government ministers will also attend (to September 19).

Rugby Union

World Cup Pacific zone qualifiers, Sydney: Western Samoa v Tonga, Australia v Fiji.

FT Survey

UK Private Equity.

Holiday

Chile.

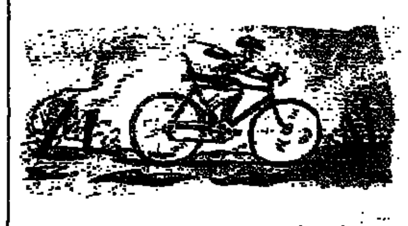
SATURDAY 19

Beer galore

Some 6m visitors descend on Munich for the annual Oktoberfest, the world's biggest beer festival, where they are expected over the next two weeks to consume 5m litres of beer and around 400,000 sausages.

Pedal power

The 50th annual Round Yugoslavia bicycle race starts in Smederevska Palanka, Serbia, with eight stages and



1,400 km of hard pedalling ahead of the international field (to September 26).

SUNDAY 20

Swedish elections

Swedish voters go to the polls today in parliamentary elections. The ruling Social Democrats, who have held power for all but nine of the past 55 years, are expected to emerge again as the largest party. However, discontent among their traditional left-of-centre supporters at tight public spending and fiscal policies has seen the party's poll rating fall from 45.3 per cent at the last election to around 37 per cent. The most likely outcome is a continued Social Democrat government, but with a considerably weakened parliamentary power base. That could force Göran Persson, the prime minister, to rely either on support from small centrist parties or the left, which has recently doubled its poll rating to 12 per cent.

Chicago launch

The Chicago Mercantile Exchange is scheduled to launch its Globex2 electronic trading system, offering virtually round-the-clock trading.

Holiday

Israel.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Monday: The Japanese current account surplus is thought to have narrowed a little in July. Manufacturers' input and output prices are both forecast to have dropped in the UK last month. G7 deputy finance ministers meet in London.
Tuesday: Underlying retail price inflation in the UK is expected to have been stable a little above target in August. Even excluding autos, US retail sales growth is thought to have weakened in August.
Wednesday: Germany's trade surplus is likely to have been near its average for the year so far in July. UK unemployment is thought to have been flat in August, with earnings growth decelerating.
Thursday: Retail sales growth in the UK is expected to have been modest in August, although changing weather makes the underlying trend difficult to discern. The Bundesbank council is not expected to change its key interest rates. US core inflation may have picked up last month.
Friday: US housing starts probably fell in August from July's 11-year high.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Monday	Singapore	July bank credit	4.2%	5.5%
Sept 14	Philippines	July exports	20.9%	12.3%
	Philippines	July imports	24.3%	-25.5%
	Czech Rep	Q2 gross domestic product **	0.20%	-0.9%
	UK	Aug producer price index input *	-0.5%	-0.3%
	UK	Aug producer price index input **	-9.9%	-8.9%
	UK	Aug producer price index output *	0.1%	-0.1%
	UK	Aug producer price index output **	0.7%	0.9%
	US	Aug Atlanta Fed index		3.4
Tues	Finland	July core inflation **	0.9%	1.3%
Sept 15	Switzerland	Aug producer price index *	-0.2%	0.0%
	Switzerland	Aug producer price index **	-1.7%	-1.5%
	Sweden	Aug consumer price index **	0.2%	0.6%
	Malaysia	Aug consumer price index	5.9%	5.8%
	Poland	Aug consumer price index *	0.4%	-0.4%
	Poland	Aug consumer price index **	11.6%	11.9%
Wed	Japan	Industrial production, sa		-0.8%
Sept 16	Germany	July trade balance	11bn	11.2bn
	Germany	July current account	-2bn	3.1bn
	UK	Aug unemployment	0K	-26.0K
	UK	June average earnings	4.7%	5.0%
	Korea	Sep Forex reserves (mid-month)		$45.1bn
	US	July business inventories	unch	0.1%
	Canada	July manufacturing new orders	-1.0%	-2.0%
	US	Aug industrial production		-0.6%
	Poland	Aug producer price index *	0.2%	0.2%
	Poland	Aug producer price index **	6.6%	7.0%
	Japan	Aug money supply (M2 + CD)	3.6%	3.5%
Thurs	Philippines	July Forex reserves		$10.4bn
Sept 17	Germany	Aug Ifo W business climate index	98.0	98.3
	Germany	Aug Ifo W balance format		1.8
	Hong Kong	Unemployment (June-Aug)	5.0%	4.8%
	UK	Aug retail sales *	0.4%	0.9%
	UK	Aug retail sales **	3.1%	3.0%
	Thailand	Aug trade balance - cc		$1.0bn
	US	Aug consumer price index	1.0%	0.2%
	US	July trade: goods & services	$15.0bn	-$14.2bn
	US	July goods & services export (BOP)	$76.0bn	$76.2bn
	US	July goods & services import (BOP)	$91.0bn	$90.3bn
	US	Initial claims September 12	315K	312K
	Canada	July merchant exports, sa *	-1.0%	0.1%
	Canada	July merchant imports, sa *	-0.5%	-0.8%
Fri	Italy	July industrial production sa *	1.2%	-2.1%
Sept 18	Italy	July industrial production nsa **		4.2%
	Canada	Aug consumer price ind all items nsa *	0.1%	0.0%
	Canada	Aug cons price ind all items nsa **	0.9%	1.0%
During the week...				
	Germany	Aug wholesale price index *	-0.3%	-0.9%
	Germany	Aug wholesale price index **	-2.9%	-2.0%

*month on month, **year on year

Statistics, courtesy Standard & Poor's MMS.

LEGAL NOTICES

Notice Regarding Solicitation of Votes For Joint Prepackaged Plan of Reorganization Under Chapter 11 of Title 11 of The United States Code

by

CITYSCAPE FINANCIAL CORP.

and

CITYSCAPE CORP.

With Respect to

The Following Securities:

Securities	CUSIP Nos.	ISIN Codes
12 3/4% Series A Senior Notes Due 2004	178778AF3	N/A
6% Convertible Subordinated Debentures Due 2006	178778AA4 178778AB2 178778AC0	XS0069181740 XS0065725615
6% Series A Convertible Preferred Stock	N/A	N/A
6% Series B Convertible Preferred Stock	N/A	N/A

RECORD DATE: AUGUST 28, 1998

VOTING DEADLINE: SEPTEMBER 30, 1998

A solicitation of votes for acceptance of the joint prepackaged plan of reorganization of Cityscape Financial Corp. and Cityscape Corp. has been announced.

Information Available to Holders of Securities

Complete information and documents with respect to the solicitation of votes for the joint prepackaged plan of reorganization of Cityscape Financial Corp. and Cityscape Corp., including the Solicitation and Disclosure Statement dated August 28, 1998 and the joint prepackaged plan of reorganization, are available to holders of the above-referenced securities from the Information Agent:

Bondholder Communications Group
30 Broad Street, 46th Floor
New York, New York 10004
Telephone: (212) 809-2663
Facsimile: (212) 422-0790
Attention: John Farr

Cityscape Financial Corp.
Cityscape Corp.

August 29, 1998

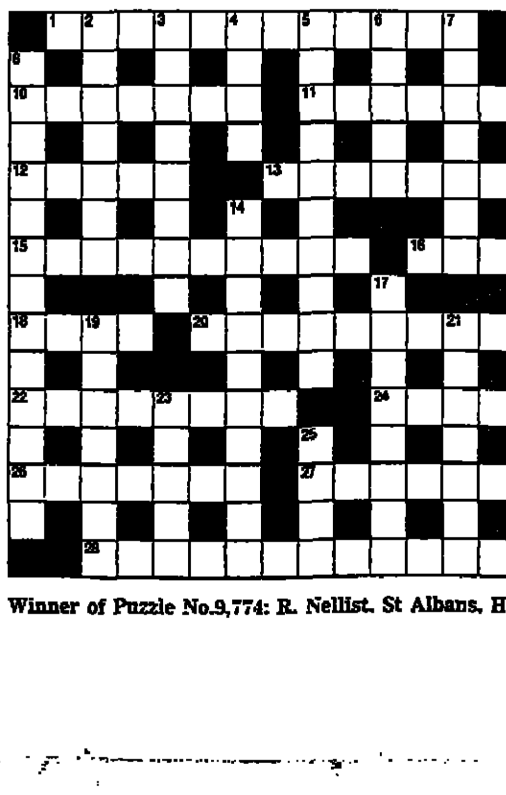
Financial Times Surveys
Biotechnology
Monday October 5
For further information please contact: Catherine Markey in Edinburgh
Tel: +44 131 220 1199 Fax: +44 131 220 1578
email: catherine.markey@FT.com
FINANCIAL TIMES

ACROSS

1 Sweet wine requires an improved filter (6,6)
10 Joy brings no Italian beer back (7)
11 Insulting Jack, employ about four (7)
12 Chose to see a man after work (5)
13 As very big consuming cream causes lung disease (8)
15 Possibly drive round N Hove looking for wine (5,5)
16 First man to notice (4)
18 Boy rejected hot food (4)
20 Current producer ran to later programme (10)
22 Where baseball players play cards (8)
24 Tests this morning included writing about sex (5)
26 Figure you'll get 31 days endless suffering (7)
27 Stone cold female baseball player (7)
28 Once farm vehicle gets cooler one can get rid of smells! (9,3)

DOWN

2 Encourage to learn to catch up (7)
3 Spot prior and move (8)
4 Name girl standing around tug (4)
5 IE, sharps do transform some music (10)
6 Stroke of luck for female evangelist (5)
7 Letter from one street in Peel, perhaps (7)
8 One admits turning (9,4)
9 Holiday town with trees is dear so relocates (7,6)
14 It could warn Anna about a party drug (10)
17 Trace son put out by forefather (8)
19 Frighten celebrity, removing it from title (7)
21 Air passage in returning craft is long (7)
23 Being topless purchased nothing (5)
25 Rotisserie tips up (4)



Winner of Puzzle No.9,774: R. Nellist, St Albans, Herts

MONDAY PRIZE CROSSWORD

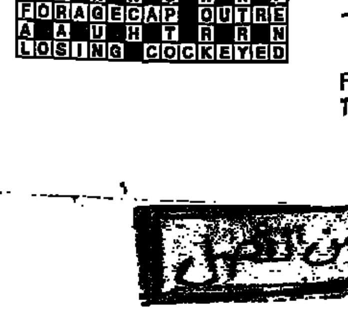
No.9,786 Set by GRIFFIN

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday September 24, marked Monday Crossword 9,786 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday September 28. Please allow 28 days for delivery of prizes.

Name.................................

Address.................................

Solution 9,774



TOMBOW FOR BUSINESS GIFTS TEL: (01732) 771771

JOTTER PAD